BEFORE THE DELAWARE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR AN INCREASE IN ELECTRIC BASE RATES AND MISCELLANEOUS TARIFF CHANGES (FILED SEPTEMBER 18, 2009)	)))))	PSC DOCKET NO. 09-414
IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR APPROVAL OF A MODIFIED FIXED VARIABLE RATE DESIGN FOR ELECTRIC RATES (FILED JUNE 25, 2009)	))))))	PSC DOCKET NO. 09-276T

DIRECT TESTIMONY AND EXHIBITS OF

DONNA H. MULLINAX

ON BEHALF OF THE

STAFF OF THE DELAWARE PUBLIC SERVICE COMMISSION

Dated: February 10, 2010

Direct Testimony and Exhibits Of
Donna H. Mullinax

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A. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. My name is Donna H. Mullinax. My business address is 2131 Woodruff Road, Suite 2100 PMB 309, Greenville, SC 29607.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am employed by Blue Ridge Consulting Services, Inc. ("Blue Ridge") as Vice President and Chief Financial Officer.

Q. PLEASE STATE YOUR EXPERIENCE AND EDUCATIONAL BACKGROUND.

A. I have over 30 years of professional experience. I have held the position of Vice President and Chief Financial Officer (CFO) of Blue Ridge for the last 15 years. As Vice President/CFO, I have been responsible for all aspects of finance and administration, including accounting, cash management, tax planning and preparation, fixed assets, human resources and benefits for my current employer, as well as for my previous employer, Hawks, Giffels, & Pullin (HGP), Inc.

In addition to my corporate responsibilities, I have been a utility industry consultant for the last 17 years. My consulting assignments have included management, financial, and compliance audits, due diligence reviews, economic viability and financial studies, prudence reviews, litigation support for construction claims, and support and testimony for various regulatory proceedings including rate cases.

I am a Certified Public Accountant (CPA), Certified Internal Auditor (CIA), and a Certified Financial Planner (CFP). I graduated with honors from Clemson University with a Bachelor of Science in Administrative Management and a Master of Science in Management.

I have also served on various boards of directors.

Q. HAVE YOU TESTIFIED BEFORE?

A. Yes. I have presented or supported testimony in Colorado, Maryland, Michigan, New York, North Carolina, South Carolina, and Texas.

In addition, I served as an advisor to the District of Columbia Commission on three rate cases: Formal Case Nos. 1076 and 1053 regarding Potomac Electric Power Company and Formal Case No. 1016 regarding Washington Gas Light Company. I supported Staff during the Commissioners' deliberations and was responsible for the revenue requirements model and results.

I was also a lead auditor on several rate case audits for the Staff of the Ohio Public Utilities Commission involving Columbia Gas of Ohio, Dominion East Ohio, and Duke Energy Ohio.

Q. HAVE YOU INCLUDED A MORE DETAILED DESCRIPTION OF YOUR QUALIFICATIONS?

A. Yes. A description of my qualifications is included as Attachment A.

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Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Staff of the Delaware Public Service Commission ("Staff").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to offer adjustments for the Delaware Public Service Commission ("Commission") to consider in determining the revenue requirements and ratemaking proposals proposed in the application of Delmarva Power & Light Company ("DP&L," "Delmarva," or "Company") for authority to increase its electric distribution base rates in this proceeding.

Q. ARE YOU ADDRESSING ANY ISSUES RELATED TO THE COMPANY'S COSTS OF CAPITAL?

A. No. Dr. James Rothschild is addressing cost of capital and debt structure for Staff. I have used Dr. Rothschild's cost of capital proposals to determine the overall effect of my proposed adjustments on the Company's revenue requirements.

Q. ARE YOU ADDRESSING ANY ISSUES RELATED TO THE COMPANY'S COSTS OF SERVICE OR RATE DESIGN?

A. No. Mr. Howard Solganick will provide testimony for Staff on these issues.

Q. HAVE YOU RELIED ON ANY OTHER TESTIMONY IN YOUR REVENUE REQUIREMENTS ANALYSIS?

A. Yes, Mr. Howard Solganick provided testimony regarding the Company's weather adjustment. Mr. Ralph Smith provided testimony regarding the

Company's pension expense adjustment. I incorporated the effects of their recommendations in developing my proposed revenue requirement for Delmarva.

Q. WHAT HAVE YOU REVIEWED IN THE PREPARATION OF YOUR TESTIMONY?

A. Among other things, I have reviewed the Company's testimony, supporting exhibits and work papers, responses to data requests, and previous Commission orders.

Q. HAVE YOU PREPARED ANY EXHIBITS IN SUPPORT OF YOUR TESTIMONY?

A. Yes. I am sponsoring the following exhibits:

- Exhibit DHM-1: Comparison of Company's Revenue Requirements and Staff's Proposal
- Exhibit DHM-2: Rate of Return Calculation
- Exhibit DHM-2.1: Impact of Staff's Rate of Return on Company's Proposed Revenue Requirements
- Exhibit DHM-3.1: Summary of Adjustments to Company's Proposed Rate Base
- Exhibit DHM-3.2: Summary of Staff's Adjustments to Company's Proposed Operating Income
- Exhibit DHM-4.1: Adjustment 1-Weather Normalization (Co. Adj. #1)
- Exhibit DHM-4.1.1: Adjustment 1-Weather Normalization (Co. Adj. #1) Workpaper
- Exhibit DHM-4.2: Adjustment 2-Regulatory Commission Expense (Co. Adj. #2)
- Exhibit DHM-4.3: Adjustment 3-Uncollectibles (Co. Adj. #4)

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- Exhibit DHM:4.3.1: Adjustment 3-Uncollectibles (Co. Adj #4) Workpaper
- Exhibit DHM-4.4: Adjustment 4-Wages and Salaries (Co. Adj. #5)
- Exhibit DHM-4.5: Adjustment 5-Supplemental Executive Retirement Plan (SERP)
- Exhibit DHM-4.6: Adjustment 6-Proforma Employee Benefits (Co. Adj. #7)
- Exhibit DHM-4.7: Adjustment 7-Pension Expense (Co. Adj. #9)
- Exhibit DHM-4.8: Adjustment 8-Incentive Compensation (Co. Adj. 10)
- Exhibit DHM-4.8.1: Adjustment 8-Incentive Compensation (Co. Adj. 10) Workpaper
- Exhibit DHM-4.9: Adjustment 9-Executive/Officer Compensation
- Exhibit DHM-4.9.1: Adjustment 9-Executive and Officer Compensation Workpaper
- Exhibit DHM-4.10: Adjustment 10-Energy Advisors (Co. Adj. #14)
- Exhibit DHM-4.11: Adjustment 11-Amortize IRP Deferred Costs (Co. Adj. #15)
- Exhibit DHM-4.12: Adjustment 12-RFP Deferred Costs (Co. Adj. #17)
- Exhibit DHM-4.13: Adjustment 13-Forecasted Reliability Closings (Co. Adj. # 19)
- Exhibit DHM-4.14: Adjustment 14-Deferred AMI Costs (Co. Adj. #20)
- Exhibit DHM-4.15: Adjustment 15-Wilmington Franchise Tax (Adj. #22)
- Exhibit DHM-4.15.1: Adjustment 15-Impact of Change of Revenue Conversion Factor
- Exhibit DHM-4.16: Adjustment 16-Construction Work in Progress
- Exhibit DHM-4.17: Adjustment 17-Interest Synchronization (Co. Adj. #27)
- Exhibit DHM-4.18: Adjustment 18-Cash Working Capital (Co. Adj #28)

- Exhibit DHM-4.18.1: Adjustment 18-Cash Working Capital (Co. Adj. 28) Workpaper

- Exhibit DHM-5: Direct and Allocated Charges from PHI Service Company to DP&L 2006-2009

In addition, Exhibits DHM-6 through Exhibit DHM-45 consist of copies of selected documents I refer to in my testimony.

Q. WERE EXHIBITS DHM-1 THROUGH DHM-45 PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes.

Q. WHAT HAVE YOU CONCLUDED FROM YOUR REVIEW OF THE COMPANY'S APPLICATION AND OTHER INFORMATION PROVIDED BY THE COMPANY?

A. Based on my analysis of the Company's application and other information provided to date, I have concluded that the Company's proposed rate increase of $27.618 million[1] should be reduced by $22.635 million to $4.983. This recommendation includes my adjustments and the impact of the Cost of Capital adjustments supported by Dr. Rothschild, the weather normalization adjustment sponsored by Mr. Solganick, and the pension expense adjustment sponsored by Mr. Smith.

B. SUMMARY OF COMPANY'S FILING

Q. WHAT TEST YEAR IS THE COMPANY PROPOSING?

[1] Delmarva Direct Testimony of W. Michael VonSteuben, page 5, line 14, and Schedule WMV-2.

A. The Company proposes a test period consisting of actual data for the twelve months ending March 31, 2009.[2] The Company then made pro-forma adjustments for the rate effective period for the twelve months ending April 2011.[3]

Q. DO YOU AGREE WITH THIS TEST YEAR?

A. I agree with the use of a historical test period. However, in several instances the Company proposed adjustments that were beyond the historical test period. Under the Commission's Minimum Filing Requirements, the Company could have selected a partially-forecasted test period. Since the Company selected a historical test period, I rejected several adjustments because they were outside of the test period.

Q. WHAT IS THE COMPANY PROPOSING FOR ITS TEST YEAR RATE BASE?

A. The Company has proposed an adjusted rate base of $452,600,566,[4] which was derived from the actual average balances for the twelve-months ending March 31, 2009, with adjustments for: 1) Amortized IRP Deferred Costs; 2) Amortized RFP Deferred Costs; 3) Reliability Plant Closings April 08-July 09; 4) Proforma Forecasted Reliability Closings August 09-December 09; 5) Amortized AMI-Related Deferred Costs; 6) Amortization of Actual Refinancing Costs; 7) Recover

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[2] Application, Briefing Sheet.
[3] Delmarva Direct Testimony of W. Michael VonSteuben, page 4, lines 19-20.
[4] Delmarva Direct Testimony of W. Michael VonSteuben, Schedule WMV-2.

Credit Facilities Expense; 8) Accrued OPEB Liability; and 9) Cash Working Capital.[5]

Q. WHAT REVENUE DEFICIENCY HAS THE COMPANY PROPOSED IN THIS PROCEEDING FOR ITS JURISDICTIONAL ELECTRIC DISTRIBUTION OPERATIONS?

A. Delmarva's proposed test period operating income requirement is $36,072,265, based on the test period adjusted rate base of $452,600,566 and a proposed rate of return of 7.97%. The Company calculated an adjusted pro forma operating income deficiency of $16,318,546. The resulting revenue requirement requested by the Company is $27,618,487.[6]

C. UNCONTESTED ADJUSTMENTS

Q. PLEASE IDENTIFY THE ADJUSTMENTS THAT YOU HAVE NOT CONTESTED IN YOUR TESTIMONY.

A. I have not contested the following adjustments in my testimony:

- Adjustment No. 3 - Normalize Injuries and Damages Expense
- Adjustment No. 6 –Remove Employee Association Expense
- Adjustment No. 8 – Proform Other Post Employment Benefit (OPEB) expense
- Adjustment No. 11 – Storm Restoration Expense
- Adjustment No. 12 - Adjust for Increased Postage Expense
- Adjustment No. 16 – Adjust for Integrated Resource Plan (IRP) recurring costs

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[5] Delmarva Direct Testimony of W. Michael VonSteuben, Schedule WMV-1.
[6] Delmarva Direct Testimony of W. Michael VonSteuben, page 4, lines 7-8.

- Adjustment No. 18 and Rate Base Adjustment No. 3 – Annualize Actual Reliability Plant Closings through July, 2009

- Adjustment No. 21 and Rate Base Adjustment No.6 – Reflect the Ratemaking Associated with Actual Refinancing Transactions

- Adjustment No. 23 - Remove Post 1980-Vintage ITC Amortization

- Adjustment No. 24 - Restate Interest on Customer Deposits (IOCD)

- Adjustment No. 25 – Reflect Credit Facilities Expense

- Adjustment No. 26 – Accrued OPEB Liability

Contested accounting issues due only to my position on other issues are: 1) income taxes; 2) taxes other than income; 3) interest synchronization; and 4) cash working capital.

D. ADJUSTMENTS

1. Adjustment 1: Weather Normalization (Company Adjustment #1)

Q. WHAT ADJUSTMENT HAS THE COMPANY MADE REGARDING WEATHER NORMALIZATION?

A. The Company restated its distribution sales to reflect normal weather conditions for the test period. This adjustment reduces earnings by $2,477,583.[7]

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO WEATHER NORMALIZATION.

A. Staff Witness Howard Solganick testified regarding the Company's weather normalization. I used his Exhibit HS-6 to develop my adjustment as shown on

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[7] Delmarva Direct Testimony of W. Michael VonSteuben, page 11, lines 21-22, and Schedule WMV-3.

Exhibit DHM-4.1.1. The result was an increase in operating income of $655,349 as shown on Exhibit DHM-4.1.

2. Adjustment 2: Regulatory Commission Expense (Company Adjustment #2)

Q. WHAT ADJUSTMENT HAS THE COMPANY MADE TO NORMALIZE REGULATORY COMMISSION EXPENSE?

A. The Company has proposed an adjustment to normalize regulatory commission expense that reduces earnings by $186,750. The adjustment includes a 1) three-year normalization for regulatory Commission expenses, 2) the costs related to this proceeding amortized over a three-year period, and 3) an estimated $50,000 related to DPA regulatory activities that will be charged to the Company.[8]

Q. DO YOU RECOMMEND AN ADJUSTMENT TO THE COMPANY'S PROPOSED REGULATORY EXPENSE?

A. Yes. First, the Company provided the contract for its cost of capital witness. The contract states that the estimated amount for the services provided and expenses would be between $51,000 and $53,000.[9] My adjustment reduces the Company's cost of capital witness's fees and expenses from $65,000 to $52,000 to reflect the amount of the contract.

In addition, I also recommend that the cost of the current proceeding be amortized over a five-year period. The Company's last electric base rate case was

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[8] Delmarva Direct Testimony of W. Michael VonSteuben, page 13, lines 2-9, and Schedule WMV-4.
[9] Delmarva's response to Data Request DPA-A-49.

in 2005, five years ago.[10] The previous rate case was in the 1990s. The purpose of normalizing expenses for ratemaking purposes is to reflect a level of expense that the utility would be expected to incur in each year of the rate effective period. Given the time between the Company's rate cases, using a three-year average would overstate regulatory expenses. The result of these adjustments is an increase in earnings of $52,183 as shown in Exhibit DHM-4.2.

3. Adjustment 3: Uncollectible Expense (Company Adjustment # 4)

Q. WHAT ADJUSTMENT HAS THE COMPANY MADE TO UNCOLLECTIBLE EXPENSE?

A. The Company restated the test period distribution uncollectibles expense to a projected amount for the twelve months ending December 2009. The adjustment includes six months of actual uncollectibles (January-June 2009) and six months of budgeted uncollectibles (July-December 2009).[11] Its proposed adjustment reduces earnings by $349,691.[12]

Q. DO YOU AGREE WITH THE COMPANY'S ADJUSTMENT?

A. No. The Company's single-year projected uncollectibles expense should be rejected. The Company selected a historical test period ending March 31, 2009, not a projected test period, even though under the Commission's Minimum Filing Requirements it could have selected a partially-forecasted test period. Thus, the

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[10] Delmarva's response to Data Request DPA-A-48.
[11] Delmarva' response to Data Request PSC-A-19.
[12] Delmarva Direct Testimony of W. Michael VonSteuben, page 13, lines17-21, and Schedule WMV-4.

out of period adjustment, and specifically the use of budgeted data, should be rejected.

Q. WHAT DO YOUR RECOMMEND?

A. I recommend that uncollectible expense be normalized using a three-year average. This methodology is consistent with the treatment in Docket No. 05-304 and the uncollectible expense level that will be used to calculate the Company's Reasonable Allowance for Retail Margin in its Standard Offer Service rates going forward.

Q. DOES THE COMPANY AGREE WITH THE USE OF A THREE-YEAR AVERAGE?

A. No. The Company stated that "the use of an average would not be appropriate if the trend of expense is either going up or down. In this case, the uncollectible expense has increased dramatically over the past three years."[13]

The Company's argument against using a normalized three-year average for uncollectibles expense is inconsistent with its treatment of other adjustments. The Company used a three-year average for its storm restoration which shows a distinct *downward* trend. If three-year normalization is appropriate for a downward trending item, it should also be applied to an upward trend. In addition, the use of a three-year average normalization is consistent with Commission precedent.

[13] Delmarva's response to Data Request PSC-LA-30.

Q. WHAT IS THE RESULT OF YOUR RECOMMENDED ADJUSTMENT?

A. Despite Staff's request for this information, the Company failed to provide the uncollectible amounts for last three years.[14] Therefore, I estimated the Delaware Distribution portion of Account 904-Uncollectible Accounts based upon the allocation in the Company's Cost of Service Model.[15] I applied the calculated ratio of the Delmarva Distribution to the total uncollectible balances for the 12-months ended March 31, 2007, 2008, and 2009, as shown in Exhibit DHM-4.3.1. I recommend that the Company update my estimate with the actual uncollectible expenses for 2007 and 2008. My adjustment increases operating income by $709,326 as shown on Exhibit DHM-4.3.

4. Adjustment 4: Wage and FICA Expense (Company Adjustment # 5)

Q. WHAT ADJUSTMENT HAS THE COMPANY MADE TO WAGE AND FICA EXPENSE?

A. The Company wage and FICA expense was changed to reflect the test year wages for the wage rates currently in effect *and* the estimated 2010 wage increases for the rate-effective period. The Company's adjustment reduces earnings by $334,858.[16]

Q. WHAT IS YOUR PROPOSED ADJUSTMENT?

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[14] Information was requested in Data Request PSC-A-149 which referred to the response to Data Request PSC-A-20.
[15] Delmarva Workpapers COS#11.
[16] Delmarva Direct Testimony of W. Michael VonSteuben, page 14, lines 5-19, and Schedule WMV-7.

A. I recommend that the Company's projected increase in wages and FICA expense be denied. As discussed previously, the Company selected a historic test year, not a projected test period. Thus, this out of period adjustment should be rejected. The result of my adjustment increases operating income by $334,858 as shown in Exhibit DHM-4.4.

5. Adjustment 5: Supplemental Executive Retirement Plan (SERP)

Q. DID THE COMPANY INCLUDE SERP COSTS IN ITS RATE REQUEST?

A. Yes. The Company stated that $612,679 was included in the Delaware Distribution cost of service operations and maintenance ("O&M") expenses for the PHI executives that are Officers.[17]

Q. WHAT IS YOUR RECOMMENDATION?

A. I recommend that the Commission disallow the inclusion of the SERP expenses. The SERP provides retirement benefits on top of the benefits the PHI Executive/Officers are entitled to receive under PHI's other retirement plans, and thus augments these individuals' aggregate retirement benefits. The Company's ratepayers should not be burdened with funding these additional retirement benefits for the PHI Officers, especially in the current economic climate. The result of my adjustment increases operating income by $363,594 as shown in Exhibit DHM-4.5.

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[17] Delmarva's response to Data Request DPA-A-25.

6. Adjustment 6: Employee Benefits (Company Adjustment #7)

Q. WHAT ADJUSTMENT HAS THE COMPANY MADE REGARDING EMPLOYEE BENEFITS EXPENSE?

A. The Company has proposed an adjustment to medical, dental and vision plan expenses provided by the Company for its active employee population. The Company increased medical expenses by 8% and dental and vision expense by 5% based on the work of the Company's benefit consultant Lake Consulting, Inc.[18] The Company's adjustment reduces earnings by $182,831.[19]

Q. WHAT IS YOUR PROPOSED ADJUSTMENT?

A. I recommend that the Company's projected increase in employee benefits be denied. Again, the Company selected a historic test year, not a projected test period. Thus, this out of period adjustment should be rejected.

In addition, the projection was derived from a survey of six companies that did not consider Delmarva's specific plans or the modifications made to the benefit design. The Company acknowledged that there have been some modifications to the benefit design, but the trend assumptions had not been adjusted.[20] For example, the Company stated that members of Local 1238 and Local 1207 currently contribute 18% of the cost of medical and mental health/substance abuse benefits as negotiated in their union agreement (and will increase to 20% in 2010).[21] The Company also stated that it increased prescription

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[18] Delmarva's response to Data Request DPA-A-166.
[19] Delmarva Direct Testimony of W. Michael VonSteuben, page 15, lines 5-11, and Schedule WMV-9.
[20] Delmarva's response to Data Request DPA-A-54.
[21] Delmarva's response to Data Request DPA-A-35.

co-pays and plan deductibles over the term of the union contracts, and instituted mandatory mail order in the prescription plan.[22] Other plan changes for 2010 include vendor consolidation and elimination of the Company's full insured HMO plans.[23]

Management employees currently contribute 17.5% and 18.3% toward the PHI PPO and PHI HMO plans (including prescriptions) respectively.[24] These employees will also have increased medical plan co-pays, an increased out-of-pocket maximum and mandatory mail order.[25]

Therefore, I recommend that this out of period adjustment to increase the amount of employee benefits should be rejected. My adjustment increases operating income by $182,831 as shown on Exhibit DHM-4.6.

7. Adjustment 7: Proform Pension Expense (Company Adjustment #9)

Q. WHAT ADJUSTMENT HAS THE COMPANY MADE TO PENSION EXPENSE?

A. The Company adjusted the recorded test period level of pension expense to the level provided by the Company's independent actuary. The resulting adjustment reduces earnings by $3,364,645.[26]

Q. WHAT IS YOUR PROPOSED ADJUSTMENT?

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[22] Delmarva's response to Data Request DPA-A-38.
[23] Delmarva's response to Data Request DPA-A-38.
[24] Delmarva's response to Data Request DPA-A-35.
[25] Delmarva's response to Data Request DPA-A-38.
[26] Delmarva Direct Testimony of W. Michael VonSteuben, page 16, lines 3-8, and Schedule WMV-11.

A. Based upon the testimony and recommendation of Staff Witness Ralph Smith, a normalized allowance for pension expense should be used. For the reasons stated in Mr. Smith's testimony the normalized allowance is based on an average of 2008 and 2009 pension expenses. The impact of this adjustment is an increase in operating income of $977,545 as shown in Exhibit DHM-4.7.

8. Adjustment 8: Incentive Compensation (Company Adjustment #10)

Q. WHAT ADJUSTMENT HAS THE COMPANY MADE REGARDING THE REMOVAL OF INCENTIVE COMPENSATION?

A. The Company removed the test period level of expenses associated with executive incentives. The adjustment increases earnings by $1,144,607.[27] However, it included $2,159,153 for non-executive incentive compensation.[28] I recommend that the non-executive incentive compensation also be removed from the Company's rate request for the same reasons that the Commission rejected these expenses in Order No. 6930, in Docket No. 05-304.[29]

Q. WHAT WAS THE BASIS OF THE COMMISSION'S DETERMINATION IN THAT CASE?

A. The Commission agreed with the Hearing Examiner that since a majority of the non-executive incentive compensation was based on financial-related goals, the achievement of which benefit PHI Holdings, Inc. shareholders, then those

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[27] Direct Testimony of W. Michael VonSteuben, page 16, lines 9-15 and Schedule WMV-12.
[28] Delmarva's revised response to Data Request DPA-A-21.
[29] PSC Order No. 6930, page 47, paragraph 98 referring to page 41, paragraph 88.

shareholders should pay for that benefit.[30] The Commission recognized that while it had allowed recovery of the cost of incentive plans in prior cases, it had to consider the economic circumstances (at that time) facing ratepayers.[31]

Q. HAS ANYTHING CHANGED WITH THE COMPANY'S INCENTIVE PLANS IN THIS FILING THAT MIGHT INFLUENCE THE HEARING EXAMINER'S RECOMMENDATION OR THE COMMISSION DECISION IN THIS CASE?

A. Yes, but the change only reaffirms the Commission's prior decision. Delmarva's application in that docket was filed in September 2005. Since then the U.S. economy has entered the deepest recession it has experienced in more than 30 years. Delaware has not been immune from its impact. Unemployment in Delaware is currently at 9%, up from 6.7% in January 2009.[32] Further, in 2008, Delaware personal income lagged behind the increases in consumer prices. Delaware personal income rose 1.8% in 2008, which was below the 3.4% increase in average consumer prices.[33] Clearly, the economic picture has worsened since the last docket.

Q. THE COMPANY ARGUES THAT THESE INCENTIVE PLANS BENEFIT BOTH RATEPAYERS AND SHAREHOLDERS EQUALLY. PLEASE COMMENT.

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[30] PSC Order No. 6930, page 47, paragraph 98.
[31] PSC Order No. 6930, page 46, paragraph 96.
[32] Delaware Department of Labor website (http://www.delawareworks.com/oolmi/Information/LMIData/LAUS/Current-Labor-Force-Statistics.aspx)
[33] Delaware Department of Labor website http://www.delawareworks.com/oolmi/Information/Publications/DelawareAnnualEconomicReport.aspx - page 14

A. As it has in the past, the Company argues that these plans help provide the monetary incentive to attract, retain, and motivate its workforce to provide safe and reliable service.[34] The Commission has acknowledged that aspect of the plan. However, the Company must recognize and acknowledge that any request to increase rates in this economic climate must be based on what is absolutely necessary to provide safe and reliable service at a reasonable cost. The Company has provided no evidence that safety, reliability, or quality of service would be affected by non-executive employees not receiving an incentive payment. Further, the Company's incentive plan clearly states that the plan in its entirety can be eliminated at any time.[35]

Q. IS THE COMPANY'S INCENTIVE PLAN STILL BASED ON FINANCIAL GOALS?

A. Yes. The Company was asked to provide a description of ***all*** incentive compensation programs. The Company provided a document titled "Pepco Holdings, Inc. 2009 Annual Incentive Plan." The PHI 2009 Annual Incentive Plan states:

> "For Utility Operations employees, the Utility Operations' earnings must reach a 93% threshold to qualify for any potential payout. Potential payout for Corporate Services employees is based on an overall corporate earnings threshold of 90%."[36]

Clearly, the Company's incentive plan is driven first and foremost by financial performance, which benefits shareholders.

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[34] Delmarva Direct Testimony of W. Michael VonSteuben, page 16, line 9 through page 18, line 11.
[35] Delmarva's revised response to Data Request DPA-A-21, Attachment page 6.
[36] Delmarva's revised response to Data Request DPA-A-21, Attachment page 2.

Q. DO YOU HAVE OTHER CONCERNS WITH THE COMPANY'S PROPOSED RECOVERY OF NON-EXECUTIVE COMPENSATION?

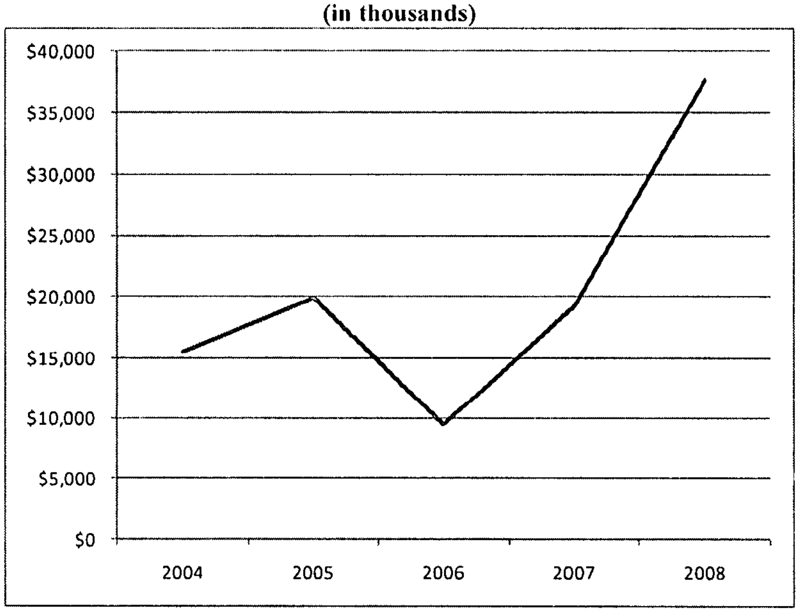
A. Yes. The Company has included $2.2 million in non-executive incentive compensation, nearly $1 million over what it requested in 2005. The Company significantly increased non-executive incentive compensation payouts in 2008 from the levels in the preceding five years as shown in the following table.

Period	Total Incentive Comp[37]	PHI Service Company Incentive Comp[38]
2004	$20,207,487	$15,460,981
2005	$23,279,979	$19,940,643
2006	$10,682,581	$9,446,198
2007	$25,164,682	$19,258,956
2008	$43,381,019	$37,588,116

The primary driver of this increase is incentive payments made to Service Company employees, which rose from $19.3 million in 2007 to $37.6 million.[39] The trend in Service Company-related incentive compensation is shown below.

[37] Delmarva's response to Data Request PSC-A-74.
[38] Calculated from Delmarva's response to Data Request PSC-A-74 (see Exhibit DHM-4.81).
[39] Delmarva's response to Data Request PSC-A-74.

Table 1-Service Company Non-Executive Incentive Compensation (in thousands)



The Company stated that the 2008 increase "payout was due to a combination of strong corporate earnings results (50%), and also strong performance in achieving the goals (safety, customer favorability, reliability, etc) that were in the balanced scorecards for the business areas (50%)." The Company also stated that it was possible that no payout would be made in 2009 or 2010.[40]

Q. PLEASE SUMMARIZE YOUR RECOMMENDATION CONCERNING INCENTIVE COMPENSATION.

A. I recommend that the Commission accept the Company's adjustment to remove executive incentive compensation and to disallow, as it has done in the past, the non-executive incentive compensation. The result of my recommendation is an increase in earnings of $1,281,350 as shown in Exhibit DHM-4.8.

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[40] Delmarva's response to Data Request DPA-A-175.

9. Adjustment 9: Executive and Officers Compensation

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO EXECUTIVE AND OFFICERS COMPENSATION.

A. The Securities and Exchange Commission (SEC) made significant changes to its disclosure rules for executive compensation. Businesses are now required to disclose in greater detail the compensation of their top five officers. The Pepco Holdings, Inc. Proxy Statement and 2008 Annual Report to the Shareholders was used to identify the detail of the compensation packages of the Chairman, President/CEO, Senior Vice President/CFO, Vice Chairman/CLO, and Executive Vice President. These five individuals' compensation in 2008 was $17.96 million. The compensation packages for these individuals are shown in Exhibit DHM-4.9 and DHM-9.1.1.

In addition to salaries, the 2008 Executive and Officer compensation included a number of exclusive benefits, including incentive compensation programs, stock and dividend awards, various retirement and deferred compensation programs, and other perquisites and personal benefits like life insurance, company cars, parking, tax preparation fees, financial planning fees, executive physical fees, club dues, spousal travel, and employment transition expenses. I recommend that several of the benefits provided for executives and officers be excluded. These costs do not contribute to the provision of safe and reliable service and should be excluded from rates.

Q. WHAT SPECIFIC BENEFITS DID YOU EXCLUDE?

A. My first exclusion was for the Long-Term Incentive Plan (LTIP) Stock Awards. According to the Company's 2008 Proxy Statement, these costs are related to the LTIP payouts that resulted in the award of Restricted Stock.[41] Awards pursuant to the LTIP, established in January 2008, relate to performance over a three-year period beginning in 2008 and ending in 2010. In general, 75% of the award opportunity is based on a company earnings per share goal and 25% of the award opportunity is based on a Company free cash flow per share goal.[42] I recommend exclusion of LTIP stock awards totaling $4.45 million (total Company) as shown on Exhibit DHM-9.1.

Q. DID THE COMPANY'S FILING EXCLUDE EXECUTIVE INCENTIVE COMPENSATION?

A. Yes. A data request was submitted asking for all the workpapers and supporting calculations for the $1.9 million removed from the Company's filing related to Executive Incentive Plans. It was difficult to tell from the information supplied if this program was removed in the Company's filing.[43]

Q. WHAT OTHER ITEMS DID YOU EXCLUDE?

A. I excluded a portion of the Executive Incentive Compensation Plan (EICP) Non-Equity Incentive Compensation payout. This program is another incentive plan available to these five highly paid executives that results in cash bonuses based on performance goals. The awards are based upon the following goals: (i) Company

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[41] Pepco Holdings, Inc. Proxy Statement and 2008 Annual Report to the Shareholders, page 28.
[42] Pepco Holdings, Inc. Proxy Statement and 2008 Annual Report to the Shareholders, page 34.
[43] Delmarva's response to Data Request PSC-A-73.

net earnings relative to budgeted net earnings (40%), (ii) Company free cash flow relative to budgeted free cash flow (25%), (iii) utility customer satisfaction as measured by customer surveys and other performance metrics (15%), (iv) diversity as measured by the attainment of, or good faith efforts toward, the attainment of established affirmative action goals (10%), and (v) safety as measured by the absence of fatalities and the number of recordable injuries and fleet accidents (10%).[44] Based upon these goals, I have excluded the first two goals that are oriented toward the financial performance of the Company and represent 65% of the payout. Therefore, I have excluded the portion of this incentive plan that should be borne by the shareholders and not the ratepayers. The result was an exclusion of $1.43 million (total Company) as shown on Exhibit DHM-9.1.

Q. WAS THIS INCENTIVE PROGRAM EXCLUDED FROM THE COMPANY'S FILING?

A. As I stated earlier, it was difficult to determine what was excluded from the Company's filing.

Q. WHAT ELSE DO YOU RECOMMEND SHOULD BE EXCLUDED FROM THE RATES TO BE ESTABLISHED BY THIS COMMISSION?

A. I recommend excluding several additional benefits and perquisites provided to the PHI executives and officers.

[44] Pepco Holdings, Inc. Proxy Statement and 2008 Annual Report to the Shareholders, page 33.

First, I have excluded the dividends paid on unvested shares of Restricted Stock that are awarded as part of the LTIP Awards.[45] This exclusion totaled $149,497 (total Company). I also excluded the Common Stock awards that are also part of the LTIP.[46] The Common Stock awards excluded totaled $290,095 as shown on Exhibit DHM-9.1.

I also excluded the Company matching contribution on deferred compensation totaling $72,597 as shown on Exhibit DHM-9.1. This award is part of the Deferred Compensation Plan.[47] If an executive is barred from making a contribution to the Retirement Savings Plan due to his compensation exceeding the IRS limits, the Company makes a matching contribution up to the amount that the Company would have made to the executive's account under the Retirement Savings Plan without the IRS limitation.[48]

Q. WERE THERE ANY PERQUISITES THAT YOU EXCLUDED?

A. Yes. I recommend excluding the tax preparation fees of $9,200, the financial planning fees of $62,091, the club dues of $15,427, and the spousal travel of $4,593 as shown on Exhibit DHM-9.1. These benefits should be excluded from rates because they are not necessary for the provision of safe, adequate, and reliable utility service.

In addition, PHI reimbursed the Senior Vice President/CFO $97,922 for housing, meals, and transportation costs incurred prior to the relocation of his

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[45] Pepco Holdings, Inc. Proxy Statement and 2008 Annual Report to the Shareholders, page 29.
[46] Pepco Holdings, Inc. Proxy Statement and 2008 Annual Report to the Shareholders, page 29.
[47] Pepco Holdings, Inc. Proxy Statement and 2008 Annual Report to the Shareholders, page 29.
[48] Pepco Holdings, Inc. Proxy Statement and 2008 Annual Report to the Shareholders, page 43.

residence following his employment by the Company.[49] This amount is over 18% of his total compensation and is excessive. These costs should not be borne by ratepayers, and I recommend that the amount be removed from rates, resulting in an exclusion of $97,922 as shown on Exhibit DHM-9.1.

Q. WHAT IS THE TOTAL AMOUNT OF COMPENSATION AND BENEFITS THAT YOU RECOMMEND BE EXCLUDED FROM THE $17.96 MILLION PAID TO THE TOP HIGHEST PAID EXECUTIVES OF THE COMPANY?

A. I recommend excluding $6,575,325 (total Company) of executive compensation. After applying the allocation factors, the Delaware distribution exclusion would be $709,096 resulting in an increase to operating income of $420,812 as shown on Exhibit DHM-4.9.

10. Adjustment 10: Energy Advisors (Company Adjustment #14)

Q. WHAT ADJUSTMENT HAS THE COMPANY MADE REGARDING THE ADDITION OF ENERGY ADVISORS EXPENSE?

A. The Company has proposed an adjustment to recognize the addition of 23 additional employees to the Company's call center. Eighteen of these new full time equivalents (FTEs) will be hired as Energy Advisors and five FTEs will be hired as Energy Specialists. The Company's adjustment to add these positions reduces earnings by $877,260.[50]

Q. WHAT IS YOUR RECOMMENDATION?

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[49] Pepco Holdings, Inc. Proxy Statement and 2008 Annual Report to the Shareholders, page 29.
[50] Delmarva Direct Testimony of W. Michael VonSteuben, page 19, lines 18-21, and Schedule WMV-16.

A. I recommend that the Commission disallow a portion of the Company's request. The additional FTEs are incremental.[51] The Company stated that only 13 of the planned 23 new hires will have been hired or on board, or in the process of being hired, by March 1, 2010.[52] My recommendation is to allow the expenses associated with 13 of the requested 23 FTEs in the Company's operating expenses for ratemaking purposes.[53]

My adjustment mitigates this out of period adjustment to include only what the Company has plans to have on board or hire within no more than 12 months after the end of the test year.

Q. WHY ARE YOU RECOMMENDING AN OUT OF PERIOD ADJUSTMENT WHEN THE COMPANY HAS SELECTED A HISTORICAL TEST YEAR?

A. The Company stated that these new employees will help the Company meet the State's energy goal to reduce electric usage by 15% by 2015. To meet this goal, customers "must be increasingly more informed and engaged if they are to change their behavior."[54] The Company stated that the needed resources "must have the expertise to guide customers, provide solutions, answer questions, and troubleshoot issues around the more advanced technology, more complicated pricing programs, energy efficiency, weatherization options, load control programs and renewable generation."[55] My recommendation recognizes the

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[51] Delmarva Direct testimony of W. Michael VonSteuben, page 22, line 19-21.
[52] Delmarva's response to Data Request PSC-A-86.
[53] Delmarva's response to Data Request PSC-A-86.
[54] Delmarva Direct testimony of W. Michael VonSteuben, page 20, lines 6-9.
[55] Delmarva Direct testimony of W. Michael VonSteuben, page 20, lines 12-16.

importance of the Company's plan to assist the State in meeting its energy reduction goals and assisting customers with the roll out of AMI.[56]

Q. WHAT IS YOUR CONCERN WITH THE ADJUSTMENT AS PROPOSED BY THE COMPANY?

A. Aside from the concern that this adjustment is an out of period adjustment, I am concerned that the amount the Company is requesting is overstated given the actual timing of hiring and training the employees and implementing the process to have them addressing customer needs. The Company stated in direct testimony that it "plans on ***having most if not all*** of these resources either hired and on board or in the process of being hired by March 1, 2010"[57] (emphasis added). However, the Company has acknowledged that only 13 of the 23 resources will be hired by that date, and it provided no timetable for filling the remaining ten positions.[58] Therefore, ignoring that this is an out of period adjustment, my adjustment recognizes the importance of assisting the State in meeting its energy reduction goals and educating customers regarding the way their rates will be determined.

Q. PLEASE EXPLAIN HOW YOU ARRIVED AT YOUR ADJUSTMENT.

A. I calculated an estimate of the average fully-loaded cost of the 23 planned FTEs and multiplied this amount by the 13 employees to be hired by March 1, 2010. The difference between those to be hired before March 1, 2010, and those to be

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[56] Delmarva Direct testimony of W. Michael VonSteuben, page 21, lines 3.
[57] Delmarva Direct testimony of W. Michael VonSteuben, page 22, lines 19-20.
[58] Delmarva response to Data Request PSC-A-86.

hired after March 1, 2010, represents my adjustment as shown on Exhibit DHM-4.10. My adjustment increases operating income by $398,102.

11. Adjustment 11: Integrated Resource Plan (IRP) (Company Adjustment #15 and Rate Base Adjustment #1)

Q. WHAT ADJUSTMENT HAS THE COMPANY MADE REGARDING THE INTEGRATED RESOURCE PLAN (IRP)?

A. This proceeding is the first distribution rate case since the initial IRP under the Electric Utility Retail Customer Supply Act of 2006 (EURCSA).[59] The Company amortized the initial IRP costs associated with Docket No. 07-20, which include costs incurred to develop the initial IRP and its updates over a three-year period. The deferred costs being amortized represent incremental costs associated with the studies and work in developing and submitting the initial IRP, as well as the work associated with additional studies and work required by Staff and other parties.[60] The Company's proposed adjustment reduces earnings by $709,650 and increases rate base by $1,774,124.[61]

Q. DO YOU HAVE A CONCERN REGARDING THIS ADJUSTMENT?

A. Yes. I am concerned that the Company's proposed three-year amortization period does not reflect the true recovery period of these costs and is not reasonable. The Company stated that the Commission typically uses a three-year amortization

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[59] Delmarva's response to Data Request PSC-RR-3.
[60] Delmarva Direct Testimony of W. Michael VonSteuben, page 24, lines 6-13.
[61] Delmarva Direct Testimony of W. Michael VonSteuben, page 23, line 9 through page 24, line 18 and Schedule WMV-1.

period for costs of this nature.[62] The Company cited the Commission's approval of a three-year amortization period for severance costs, costs associated with the Phoenix Steel Economic Development Credit, Information System duplicate charges, rate case charges, and spare parts inventory write-off as examples.[63]

Q. WHAT DIFFERENCES DO YOU SEE BETWEEN THE COMPANY'S EXAMPLES AND THE IRP AMORTIZATION?

The Company's examples are related to costs associated with one-time events that occurred in the past and do not represent any going-forward benefit to the customer. In addition, the Commission does not amortize rate case expenses, it normalizes them. The IRP represents long-term benefits to the ratepayer and its costs are ongoing. In addition, the Company stated that the IRPs filed by Delmarva are for a ten-year period.[64]

Q. WHAT DO YOU RECOMMEND?

A. I recommend that the IRP deferred cost be amortized over a ten-year period to coincide with the duration of the IRPs.

Q. DOES THE DEVELOPMENT OF A NEW IRP EVERY TWO YEARS IMPACT YOUR RECOMMENDATION?

A. No. Even though the Company stated that it is required to prepare a new IRP every two years, each IRP is for ten years.[65] The new or updated IRPs also have

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[62] Delmarva's response to Data Request PSC-A-87.
[63] Delmarva's response to Data Request PSC-A-235.
[64] Delmarva's response to Data Request PSC-A-87.
[65] Delmarva's response to Data Request PSC-A-87.

the same benefit period. The costs should be amortized over the benefit period. My adjustment increases operating income by $496,755 and rate base by $248,377 as shown in Exhibit DHM-4.11.

Q. DO YOU HAVE ANY ADDITIONAL RECOMMENDATION CONCERNING ANY ASPECT OF THE AMORTIZATION OF IRP COSTS?

A. Yes. I would expect that as the Company becomes more proficient in preparing IRPs that some efficiencies (and therefore cost savings) would result. The Company disagrees; it states that the costs of preparing and submitting an IRP depend on the scope of the IRP, changing rules and regulations, new legislative requirements and customers' evolving energy requirements.[66]

Q. WHAT DO YOU RECOMMEND?

A. I recommend that each time a new IRP is developed that the Company provide the Commission with a detailed cost analysis with appropriate explanations of the cost of the new IRP and a variance analysis from the previous IRP. Further, I recommend in the future that the Commission consider normalizing the IRP costs and including the normalized amount in rates. This method would be consistent with how other regulatory expenses are treated for rate making purposes.

12. Adjustment 12: RFP for New Generation (Company Adjustment #17 and Rate Base Adjustment # 2)

Q. WHAT ADJUSTMENT HAS THE COMPANY MADE REGARDING THE DEFERRED COSTS OF THE RFP FOR NEW GENERATION?

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[66] Delmarva's response to Data Request PSC-A-92.

A. The Company deferred the costs associated with the RFP for new generation and has requested recovery over a three-year period with a return on the unamortized balance. The Company's adjustment reduces earnings by $861,566 and increases rate base by $2,153,915.[67]

Q. DO YOU HAVE ANY CONCERNS REGARDING THIS ADJUSTMENT?

A. Yes. I am concerned with the proposed three-year amortization period for the RFP costs. The Company stated that a three-year period has been typically used by the Commission for costs of this nature, and the Company thought that a two-year amortization was not long enough.[68] The Company failed to provide any other support for the use of a three-year amortization period.

Q. WHAT DO YOU RECOMMEND?

A. Each RFP benefit period is between 10-25 years,[69] and the deferred cost should be recovered over the duration of the benefit period. Therefore, I recommend that the amortization period for each RFP coincide with the benefit period, which is between 10-25 years, depending on the specific RFP. For purposes of this adjustment, I have amortized the RFP deferred costs over ten years. My adjustment increases operating income by $603,097 and rate base by $301,548 as shown in Exhibit DHM-4.12.

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[67] Delmarva Direct Testimony of W. Michael VonSteuben, page 26, lines 14-20 and Schedule WMV-19.
[68] Delmarva's response to Data Request PSC-A-93.
[69] PSC Docket No. 06-241, Order No. 7003.

13. Adjustment 13: Forecasted Reliability Plant Closings for August 2009 -December 2009 (Company Adjustment #19 and Rate Base Adjustment # 4)

Q. WHAT ADJUSTMENT HAS THE COMPANY MADE REGARDING THE FORECASTED RELIABILITY PLANT CLOSINGS FOR AUGUST 2009 THROUGH DECEMBER 2009?

A. The Company proposes an adjustment to recognize the additional reliability projects that are forecasted to be placed into Electric Plant in Service from August 2009 through December 2009. The Company's proposed adjustment reduces earnings by $166,059 and increases rate base by $13,027,712.[70]

Q. WHAT IS YOUR CONCERN REGARDING THIS ADJUSTMENT?

A. In Docket No. 05-304, the Company asked, and was allowed, to include in its rate base completed construction residing in CWIP that had not been transferred to Electric Plant in Service up to four months after the test period.[71] The Company's Adjustment #18 in this case follows the same pattern.[72] However, Company Adjustment #19 requests the Commission to allow in rate base forecasted completed construction residing in CWIP that is nine months after the end of the test period. The Company provided no support for using nine months versus four months, and the period appears to have been selected merely to coincide with the end of the calendar year.

Q. WHAT IS YOUR PROPOSED ADJUSTMENT?

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[70] Delmarva Direct Testimony of W. Michael VonSteuben, pages 27, line 22 through page 28, line 10 and WMV-21.
[71] Docket 05-304, Opinion and Order No. 6930, page 17.
[72] Delmarva Direct Testimony of W. Michael VonSteuben, page 27, lines 7-9.

A. In order to be consistent with the Commission's decision in Docket No. 05-304, I do not oppose the Company's adjustment to include completed construction residing in CWIP for reliability projects up to four months after the test period end in rate base (Adjustment 18). However, I recommend that the Commission reject the Company's request to include forecasted completed construction residing in CWIP for reliability projects beyond four months after the test period in rate base (Adjustment 19). My adjustment increases operating income by $166,058 and reduces rate base by $13,027,712 as shown in Exhibit DHM-4.13.

14. Adjustment 14: Deferred Advanced Metering Infrastructure (AMI) Costs (Company Adjustment #20 and Rate Base Adjustment #5)

Q. WHAT ADJUSTMENT HAS THE COMPANY MADE REGARDING THE DEFERRED ADVANCED METERING INFRASTRUCTURE (AMI) COSTS?

A. The Company has proposed a three-year amortization to recover the costs incurred in developing the infrastructure to support the AMI initiative, with the unamortized amount included in rate base. The Company's adjustment reduces earnings by $207,146 and increases rate base by $517,866.[73]

Q. DO YOU HAVE CONCERNS REGARDING THIS ADJUSTMENT?

A. Yes. My concern is that the three-year amortization period used by the Company appears to be arbitrary and does not relate to the assets that the costs support.

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[73] Delmarva Direct Testimony of W. Michael VonSteuben, page 30, lines 9-15, and Schedule WMV-22.

Q. DOES THE COMPANY HAVE A SUGGESTED AVERAGE SERVICE LIFE FOR AMI METERS?

A. Yes. The Company used a 15-year life in its February 2007 Blueprint for the Future. The Company also stated that its depreciation consultant in its other cases had determined that the estimated average service life of the meters is 15 years.[74]

Q. WHAT IS YOUR RECOMMENDATION?

A. Since the AMI meters are expected to have a 15-year average service life, it is reasonable to amortize the incremental start-up costs over the life of the assets those costs support. My recommended adjustment amortizes these costs over 15 years rather than the Company's proposed three years. My adjustment increases operating income by $165,717 and rate base by $82,859 as shown in Exhibit DHM-4.14.

15. Adjustment 15: Wilmington City Franchise Tax (Company Adjustment #22)

Q. WHAT ADJUSTMENT HAS THE COMPANY MADE REGARDING THE WILMINGTON CITY FRANCHISE TAX?

A. The Company included an adjustment to normalize the City of Wilmington Franchise tax. The Company's adjustment reduces earnings by $34,511.[75]

Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENT?

A. The Company is required to pay 2 percent of the gross amount received from the sale of electricity within the City of Wilmington.[76] The Company's adjustment is

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[74] Delmarva's response to Data Request PSC-A-241.
[75] Delmarva Direct Testimony of W. Michael VonSteuben, page 32, lines 15-19 and Schedule WMV-24.

to synchronize the test period level of expense associated with the City of Wilmington Franchise tax to the latest payment made to the City.[77]

Q. HOW DOES THE COMPANY ALLOCATE ITS TAX LIABILITY TO THE CITY OF WILMINGTON?

A. The Wilmington Franchise tax is included in the revenue conversion factor, and therefore, the tax is recovered from all electric customers, not just those residing in the City of Wilmington.[78]

Q. WHAT IS YOUR RECOMMENDATION?

A. I recommend that the Wilmington City Franchise tax be recovered only as a part of the Company's expenses (much like property taxes) and not also be included in the Company's revenue conversion factor. The component representing the City tax should be removed from the revenue conversion factor. The result is a change in the revenue conversion factor from 1.69246 to 1.69013 as shown on Exhibit DHM-4.15. The estimated dollar impact of this change is approximately $38,000 as shown on Exhibit DHM-4.15.1.

16. Adjustment 16: Construction Work in Progress (CWIP)

Q. PLEASE EXPLAIN YOUR ADJUSTMENT RELATED TO CWIP.

A. As I stated before, in Docket No. 05-304, the Commission allowed the Company to include in rate base the completed construction residing in CWIP that had not

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[76] Delmarva's response to Data Request Staff 2-4, Attachment page 3.
[77] Delmarva's response to Data Request DPA-A-139.
[78] Delmarva's response to Data Request PSC-A-118.

been transferred to Electric Plant in Service for up to four months after the test period.[79] The Company has included $13,311,425 of CWIP in rate base with the corresponding AFUDC in earnings.[80] My recommendation is that the Commission deny inclusion of this CWIP in rate base.

Q. PLEASE EXPLAIN YOUR RECOMMENDATION.

A. The Company indicated that CWIP represents projects that are "ready for service."[81] The Company defines "ready for service" as "plant items immediately ready for service, plant in service, but not transferred to Plant in service on the books, and plant associated with routine construction normally completed in a few days."[82]

Q. HAS AFUDC, IF APPLICABLE, STOPPED ON THOSE PROJECTS AND DEPRECIATED STARTED?

A. Yes. According to the Company, AFUDC, if applicable, has stopped, but depreciation has not started because the project dollars have not been transferred to Electric Plant in Service.[83]

Q. HOW SHOULD A PROJECT BE RECORDED IF IT IS "READY FOR SERVICE?"

A. If a project is ready for service, it should be recorded as utility plant in either FERC Account 101 (Electric Plant in Service) or FERC Account 106 (Completed

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[79] Docket 05-304, Opinion and Order No. 6930, page 17.
[80] Delmarva Direct Testimony of W. Michael VonSteuben, page 36, lines 16-17 and Schedule No. 1-B, page 2 of 5.
[81] Delmarva's response to Data Request PSC-A-246.
[82] Delmarva's response to Data Request PSC-A-252.
[83] Delmarva's response to Data Requests PSC-A-246 and PSC-A-252.

Construction Not Classified) and depreciated. Until a project is transferred from CWIP to either FERC Account 101 or 106, a primary plant account (FERC 300 account) is not assigned and therefore, depreciation cannot start.[84] Prior to that time the project is considered CWIP and still in construction.[85]

Q. ARE THE ASSETS USED AND USEFUL?

A. If the assets are used and useful, then the project costs should have been transferred and included in Electric Plant in Service. According to the Company, a project cost is not transferred to FERC Account 101 or 106 until the costs have been recorded.[86] Therefore, it would appear that not all the costs have been recorded and the assets are not ready to be transferred.

Q. IS THERE A DIFFERENCE BETWEEN "READY FOR SERVICE" AND "PLACED IN SERVICE?"

A. "Ready for service" is an engineering estimate that indicates that the assets are ready to be energized or are energized and may or may not be providing service.[87] In order to be classified as Electric Plant in Service, the assets are either placed in service (FERC Account 106) or eligible to be included in Electric Plant in Service (FERC Account 101) and depreciation starts.[88] The assets at issue here were not placed in service and deprecation is not being accrued. Therefore, in accordance with the FERC Uniform System of Accounts, they are still considered CWIP.

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[84] Code of Federal Regulations: parts 101-142, pages 382 and 384.
[85] Code of Federal Regulations parts 101-142, page 384.
[86] Delmarva's response to Data Request PSC-A-246.
[87] Delmarva's response to Data Request PSC-A-246.
[88] Code of Federal Regulators parts 101-142, page 382.

Q. DO YOU HAVE ANY OTHER COMMENTS RELATED TO THE PROPOSED CWIP?

A. Yes. The Company stated that "many of the projects are technically complete and servicing customers,"[89] which implies that not all of the projects included in the proposed adjustment are "technically complete."

Q. WAS CWIP ALLOWED IN THE PREVIOUS CASE?

A. No. In Docket No. 05-304, approximately $13,500,000 of CWIP was specifically denied, because some of the projects were not technically complete, used and useful, and providing service to the customer.[90]

Q. WHAT IS YOUR CONCLUSION AND RECOMMENDATION?

A. I recommend that the inclusion of CWIP and AFUDC in the Company's filing be denied for the following reasons.

1. Inclusion of CWIP in rate base and AFUDC in earnings does not benefit the ratepayer. The lag between when a project is considered "ready for service" based on an engineering estimate and when all the costs are recorded and it qualifies as Utility Plant in Service is normal.
2. The Company acknowledged that not all the proposed CWIP projects are technically complete.
3. FERC does not consider a project that is included in CWIP to be in-service.
4. The Company has already made up part of the regulatory lag through Adjustment 18.

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[89] Delmarva's response to Data Request PSC-A-252.
[90] Docket 05-304, Opinion and Order 6930: 16 No. 38 and 17 No. 40 and 22 No. 47.

5. It is not the ratepayers' responsibility to make up for timing differences between when work is completed and ready for service and when all the costs are recorded in CWIP so that work orders can be transferred to Electric Plant in Service.

My adjustment removes the post-test period non-reliability project CWIP . The adjustment reduces rate base by $13,311,425 and AFUDC by $253,479 as shown in Exhibit DHM-4.16.

17. PHI Service Company

Q. PLEASE EXPLAIN YOUR CONCERNS WITH THE CHARGES FROM PHI SERVICE COMPANY.

A. Although I am not making an adjustment regarding the level of direct and allocated charges that PHI Service Company ("Service Company") assigns to Delmarva, I am concerned with the overall trend of those costs. Furthermore, I am concerned that the Company cannot reasonably assure itself that these costs are reasonable.

The Company has included approximately $123 million dollars of direct and allocated charges from Service Company in test period operating expenses.[91] The table below shows the overall charges from Service Company to Delmarva from 2006 through year to date September 2009.[92] The 2009 total was estimated by annualizing the year to date September 2009 total.

[91] Delmarva's updated response to Data Request PSC-A-185.

[92] Delmarva's response to Data Request PSC-A-185, Attachment 1 through Attachment 4. Note: these charges are for Delmarva Company total and not Delaware Distribution Electric.

Table 2- Direct and Allocated Charges from PHI Service Company to DP&L 2006-2009

(in millions)

#	Item	2006	2007	2008	YTD Sept 2009	2009 Annualized
	(A)	(B)	(C)	(D)	(E)	(F)=(E)/9*12
1	PHI Service Company Charges to DP&L	$ 110.1	$ 117.5	$ 121.2	$ 95.5	$ 127.3
2	Total PHI Service Company Charges	$ 406.7	$ 423.5	$ 463.3	$ 356.9	$ 475.9
3	Percent of PHI Service Company Charges to DP&L	27%	28%	26%	27%	27%
4	PHI Service Company Charges to DP&L-Change from Prior Year	NA	6.7%	3.1%	NA	5.1%
5	Total PHI Service Company Charges-Change from Prior Year	NA	4.1%	9.4%	NA	2.7%
6	PHI Service Company Charges to DP&L-Change from 2006 to 2009					$ 17.2
						15.65%

Source: PSC-A-185 Attachments 1 thru 4 - Note: DP&L code 1000 and DPA-A-61

The Service Company has charged Delmarva approximately 27% of the total Service Company charges since 2006. The total dollars have increased every year since 2006 and, if the normalized 2009 total is accurate, the dollars since 2006 have increased by $17.2 million or 15.7%. With the magnitude of these costs to Delmarva customers, it is imperative that the Commission be assured that these costs are not the result of waste, bad faith, or an abuse of discretion.

Q. ARE YOU AWARE OF ANY OTHER PROCEEDINGS WHERE THE REASONABLENESS OF THE SERVICE COMPANY CHARGES TO THE REGULATED DISTRIBUTION COMPANY WITHIN PEPCO HOLDINGS, INC. IS AT ISSUE?

A. Yes. Delmarva's affiliate company, Potomac Electric Power Company (PEPCO), has a base rate increase request before the District of Columbia Public Service Commission (DC Commission) in Formal Case 1076. In that proceeding, the DC Commission designated the reasonableness of the Service Company costs as a primary issue to be addressed during the evaluation and litigation of the PEPCO's application.[93] Several of the intervening parties have challenged the reasonableness and level of the charges from the Service Company to PEPCO. These parties are arguing that PEPCO has not met the burden of proof that the charges from the Service Company are reasonable or prudent.[94] The DC Commission has yet to issue an order in that case, but is expected to do so in February 2010.

Q. ARE YOU AWARE OF THE DIAGNOSTICS AUDIT PERFORMED ON THE SERVICE COMPANY ALLOCATIONS TO DELMARVA?

A. Yes. I reviewed a copy of Liberty Consulting Group, Inc.'s ("Liberty") November 19, 2009 presentation to the Commission concerning its review of the allocations from the Service Company to Delmarva.

Q. DID THIS AUDIT REVIEW THE REASONABLENESS OF THE SERVICE COMPANY CHARGES?

A. No. Liberty's assignment was to conduct a diagnostic review of the Service Company allocations and cost allocation manual ("CAM"). This review was a high-level review intended to identify potential issues which might require further detailed examination. The primary effort was to validate that the way in which the Service Company charges were allocated to Delmarva were appropriate and calculated in accordance with the Company's CAM and that the various allocators were properly calculated and applied appropriately. Liberty did not test whether

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[93] District of Columbia Public Service Commission – Formal Case 1076 – Order No. 15322 dated July 10, 2009.

[94] District of Columbia Public Service Commission – Formal Case 1076 - Office of People Counsel Initial Brief page 123, and Apartment and Office Building Association Initial Brief page 32.

the Service Company charges for any given period were in and of themselves reasonable.

Q. IS THERE A MEANS BY WHICH THE COMMISSION COULD DETERMINE WHETHER THE SERVICE COMPANY CHARGES ARE REASONABLE?

A. Yes. Given the magnitude of dollars being flowed from Service Company to Delmarva, it would be beneficial for the Commission to order a management audit of Delmarva, its operations, and the costs of the services being provided by Service Company. This audit could be used to identify improvements in the Company's distribution operations, as well as answer the nagging question of whether the Service Company is operating efficiently and effectively. The results of this audit could be used to determine whether any adjustments to the Company's expenses and costs in the next base rate proceeding are warranted.

E. IMPACT OF PROPOSED ADJUSTMENTS ON RATE BASE, RETURN REQUIREMENTS, NET OPERATING INCOME AND REVENUE DEFICIENCY

Q. PLEASE SUMMARIZE YOUR PROPOSED ADJUSTMENTS TO RATE BASE?

A. My recommendations reduce rate base by $25.495 million to $427.106 million (Exhibit DHM-1).

Q. HOW DO THESE ADJUSTMENTS TO RATE BASE EFFECT THE COMPANY'S REVENUE REQUIREMENTS?

A. Using Dr. Rothschild's cost of capital of 6.70%, the impact on the return requirement would be a reduction of $7.460 million to $28.613 million (Exhibit DHM-1).

Q. WHAT CHANGES ARE YOU PROPOSING TO THE COMPANY'S CALCULATION OF ITS OVERALL ADJUSTED NET OPERATING INCOME?

A. Based on my adjustments, I am recommending an increase of $5.910 million to the Company's proposed adjusted net operating income resulting in an operating income of $25.664 million (Exhibit DHM-1).

Q. WHAT ADJUSTMENTS ARE YOU PROPOSING TO THE COMPANY'S CALCULATION OF ITS PROPOSED INCOME AND REVENUE DEFICIENCIES?

A. My adjustments reduce the Company's proposed income deficiency of $16.318 million by $13.370 million to $2.948 million. Applying the adjusted revenue multiplier results in a revenue deficiency of $4.983 million. In total, I recommend that the Company's revenue deficiency be reduced by $22.635 million resulting in 18.04% of the requested increase. Exhibit DHM-1 shows the derivation of this adjustment.

F. OTHER ISSUES

1. Rider VM

Q. PLEASE EXPLAIN THE COMPANY'S PROPOSED RIDER VM.

A. The Company proposes to recover a three-year rolling average of pension, other post-employment benefits ("OPEB"), and uncollectible expenses through a mitigation rate mechanism referred to as a Volatility Mitigation Rider ("Rider VM"). The Company would be permitted to defer for future rate treatment the difference between the average and the currently incurred amounts.[95] If Rider VM is approved, all of the costs associated with pension, OPEB, and uncollectible expenses would be removed from the Company's base rates and henceforth be recovered via the Rider VM calculation.[96]

Q. WHY DOES THE COMPANY WANT TO IMPLEMENT RIDER VM?

A. The Company stated that the costs associated with pension expense, OPEB expense, and uncollectibles expenses are volatile and largely outside of management control.[97]

Q. ARE THESE COSTS OUTSIDE MANAGEMENT CONTROL?

A. Contrary to the Company's contention that these items are outside management control, the Company listed a number of steps it has taken to contain costs. In particular, the Company took the following cost containment measures that directly affect OPEB and Pension expense:

- PHI eliminated subsidized retiree medical benefits for employees hired after January 1, 2005.
- Effective January 1, 2005, PHI implemented major medical plan designs changes for all eligible retirees, current and future, that eliminated the medical

[95] Delmarva Direct Testimony of Anthony J. Kamerick, page 9, lines 14-18.
[96] Delmarva Direct Testimony of Anthony J. Kamerick, page 14, lines 14-17.
[97] Delmarva Direct Testimony of Anthony J. Kamerick, page 9, lines 12-14.

indemnity plan and increased deductibles, hospital co-pays, physician co-pays, and out-of-pocket maximums, which substantially increased the retirees' share of the costs for their benefits.

- PHI implemented caps that limit its retiree medical costs. Anyone retiring on or after January 1, 2005, is subject to annual medical caps. If the average annual cost per participant of all those enrolled in the medical plans (PPO or HMO) exceed the cap, additional contributions will be required from all participants (retirees and their dependents) in the following year.
- Between 2005 and 2007, PHI more than doubled the contribution that active employees and retirees must make to their medical benefits; that contribution more than tripled by the end of 2007.
- PHI significantly reduced pension benefits for employees hired after January 1, 2005.[98]

Q. WHAT STEPS HAS THE COMPANY TAKEN TO REDUCE UNCOLLECTIBLES?

A. The Company took the following actions to reduce its uncollectibles from 2003 to 2009:

- Match-Up Report (transfer uncollectibles balances to eligible accounts) – provides the Company the ability to associate existing overdue balances with new customer sign-ups through the matching of Social Security Numbers (SSN) for residential customers and SSN and/or Tax ID number for non-

[98] Delmarva Direct Testimony of Anthony J. Kamerick, page 28, line 4 through page 29, line 2.

residential customers. Using these identifiers, the Company has reduced the amount of uncollected revenue from those customers who would use an alias to defraud the Company of appropriately billed revenues.

- Account Deposit Policy and Procedure – While the Company did not make any changes in its policy and/or procedures with respect to account deposits, it has become more vigilant in adhering to the stated policies and procedures.
- Sold receivables to third party – In March 2007 Delmarva Power sold $23.6 million in uncollectible debts to Arrow Financial Services. This was a onetime project /effort to improve the collections and has not been repeated since.[99]

The Company also used the following efforts to manage and reduce uncollectibles: Company disconnect/collection process, dunning process, agency referral, and bankruptcy maintenance follow up.[100]

Q. WHAT ARE YOUR CONCERNS ABOUT ALLOWING THE COMPANY TO IMPLEMENT THE PROPOSED RIDER VM?

A. First, although pension and OPEB expense are influenced by market returns and interest rates, the level of these expenses is not wholly beyond management control. The Company's management does exercise influence over the levels of pension, OPEB, and uncollectibles. Providing automatic recovery of these expenses would remove the incentive for the Company to control these costs.

Second, historically, the Company and its shareholders have borne the risk of fluctuation in pension, OPEB, and uncollectible expenses. The mechanism

[99] Delmarva's response to Data Request PSC-A-24.
[100] Delmarva's response to Data Request PSC-A-25.

removes the risk from shareholders and places it on the Company's customers. The mechanism provides assurances of cost recovery without simultaneously adjusting the risk component for the return on equity. If the Commission adopts the Company's proposal, a downward adjustment to the Company's return on equity is necessary and appropriate.

Third, the adoption of the Rider VM constitutes an unjustified departure from long-standing test year ratemaking precedent. Rates should be set using a test year ratemaking approach giving a utility the opportunity to, but not a guarantee that it will, earn its allowed rate of return on rate base.

Fourth, Rider VM would reduce the Company's cost containment incentives while at the same time making it more difficult for the Commission and other interested parties to review and analyze the Company's pension, OPEB, and uncollectible expenses.

Q. WHAT IS YOUR RECOMMENDATION REGARDING RIDER VM?

A. I recommend that the Commission reject the Company's proposed Rider VM and continue to use traditional test year ratemaking principles for pension, OPEB, and uncollectible expenses.

2. Utility Facility Relocation Charge Rider (UFRC)

Q. PLEASE EXPLAIN THE PROPOSED RIDER UFRC.

A. According to the Company, Rider UFRC is intended to provide a mechanism to recover costs for the relocation of Company distribution facilities related to projects sponsored by the Delaware Department of Transportation (DDOT) or other state agencies as allowed under Section 315 of Title 26 of the Delaware Code.[101]

Q. DOES THE COMPANY HAVE A PROPOSED UFRC RATE?

A. Yes. The Company recommends setting the initial UFRC at 0.00%.[102]

Q. WHAT ARE YOUR SPECIFIC CONCERNS WITH RIDER UFRC?

A. Delaware law authorizes the Company to implement such a rider; however, the law also authorizes the Commission to adopt administrative rules to administer the UFRC.[103]

Q. HAVE ADMINISTRATIVE RULES BEEN ESTABLISHED AND WHAT DO YOU RECOMMEND?

A. Such administrative rules have not yet been established. Therefore, I recommend that the UFRC be removed from this case until those administrative rules can be developed to determine an appropriate UFRC.

Q. WILL THIS HARM THE COMPANY IN ANY WAY?

A. No. The Company already has an initial 0.00% UFRC, therefore, it should not be harmed.[104]

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

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[101] Delmarva Direct Testimony of Joseph Janocha , page 16, lines 12-16.
[102] Delmarva Direct Testimony of Joseph Janocha, page 18, line 1.
[103] Delaware Regulation 26 Del, Admin C. Para 315 and 315(f).
[104] Delmarva Direct Testimony of Joseph Janocha, Page 18, line 1.

Direct Testimony and Exhibits Of
Donna H. Mullinax

Attachment A - Qualification of Donna H. Mullinax, CPA, CIA, CFP

Mrs. Mullinax has over thirty years of financial, management and consulting experience. She has held the position of Vice President and Chief Financial Officer for the last 15 years and served on various Boards of Directors. She has extensive experience in project management; regulatory and litigation support; financial, administration, and human resource management; financial and management audits; analysis; and systems implementation.

Project Management

Her ability to handle and resolve various viewpoints and establish and maintain effective working relationships has resulted in her being assigned to manage numerous cross-functional teams. She has been project manager or assistant project manager with the responsibility of controlling cost, schedule and scope for most of the projects that she has been involved. These projects included management, financial, and compliance audits, M&A due diligence reviews, economic viability studies, prudence reviews, and litigation/regulatory support for construction claims and regulatory proceedings.

Regulatory and Litigation Support

She testified before the Colorado Public Utilities Commission to the findings of a transaction audit of PSCo's electric commodity trading operations. In addition, Mrs. Mullinax led the review of WGL's depreciation study and proposed rates and provided recommendations to the District of Columbia Public Service Commission on the company's proposal in FC1016. She has been an advisor to the District Commission on PEPCO rate case filings in FC1032, FC1053, and FC1076. She filed testimony before the Michigan Public Service Commission related to Consumers Energy Company request to increase gas rates in Case No. U-14547 on behalf of the Michigan Attorney General. She has worked with expert witnesses to draft pre-filed testimony of factual findings and calculated damages, and she has developed questions and answers to support counsel during depositions and trial. She has been responsible for the development of various cost analyses in connection with civil litigations. She has supported expert witnesses in analyzing and calculating damages related to extended outages, analysis of budget vs. actual financial performance, detail cost accounting analysis including re-estimation of actual and reasonable cost for expenses not specifically reported.

A list of the proceedings she has been involved is provided at the end of this document.

Financial, Administration, and Human Resource Management

As Chief Financial Officer and Vice President she is responsible for all aspects of financial, administration and human resources. Her responsibilities include accounting, cash management, tax planning and preparation, fixed assets, human resources and benefits. Records under her control have been subject to an IRS compliance audit with no findings.

Financial and Management Auditing

She is a skilled financial and management auditor. She has performed financial and compliance audits for county governments, utilities, and non-public businesses. She served as project manager for numerous due diligence reviews in connection with various mergers and/or acquisitions. As a senior financial analyst she has reviewed financial information and budget projections, performed risk identification and industry benchmarking. Her extensive professional experience allows her to effectively analyze and evaluate methods and procedures and to thoroughly document her findings. She has successfully testified to her audit findings.

Financial Analysis

Mrs. Mullinax has excellent analytical capabilities. She is a skilled financial analyst and routinely develops dynamic, integrated spreadsheets models for use in her assignments. She understands that complex models mean nothing if they can not be effectively communicated. She has proven ability to distill large amounts of information into a clear and concise written document.

System Implementation

Mrs. Mullinax has worked with various business and local governmental entities to design and implement accounting and business systems that addressed real world problems and concerns. She has developed accounting policy and procedure manuals for county governments, a library, and a water utility.

Employment History

2004 – Present Blue Ridge Consulting Services, Inc.

- Executive Vice President and Chief Financial Officer
- Principal

1993 – 2004 Hawks, Giffels & Pullin (HGP, Inc.

- Vice President and Chief Financial Officer
- Executive Consultant
- Controller

1991 – 1993 Cherry, Bekaert & Holland, CPAs

- Accounting Supervisor
- Senior Accountant

1988 – 1991 Smith, Kline and French Pharmaceutical Company

- Professional Sales Representative

1979 – 1988 Milliken & Company

- Quality Assurance Manager
- Technical Cause Analyst
- Department Manager

Direct Testimony and Exhibits Of
Donna H. Mullinax

Education

Clemson University, B.S. in Administrative Management with honors – 1978
Clemson University, M.S. in Management – 1979
College for Financial Planning - 1994
NARUC Utility Rate School, 32nd Annual Eastern – 2004
Continuing education required to maintain CPA, CFP, and CIA licenses

Professional Certification

Certified Public Accountant (CPA), State of South Carolina – 1993
Certified Financial Planner (CFP) – 1994
Certified Internal Auditor (CIA) – 2006

Professional Affiliations

Member of the American Institute of Certified Public Accountants (AICPA)
Member of the South Carolina Association of Certified Public Accountants (SCACPA)
Member of the Institute of Internal Auditors (IIA)

Regulatory Experience

Before the Public Utilities Commission of the State of Colorado

Docket No. 04A-050E *Review of the Electric Commodity Trading Operations of Public Service Company of Colorado*
On behalf of the COPUC Staff, March 2004-September 2004
Expert Witness and Assistant Project Manager. Performed a transaction audit of PSCo's electric commodity trading operations and provided testimony describing the process used to conduct the investigation, a summary of the audit findings, and discussion on the significance of the findings.

Before the Connecticut Department of Public Utility Control

Docket 07-07-01 *Diagnostic Management Audit of Connecticut Light and Power Company.*
On behalf of the Staff of the Connecticut Department of Public Utility July 2008-June 2009
Assistant Project Manager and Lead Auditor. Performed an in-depth investigation and assessment of the Company's business processes, procedures, and policies relating to the management operations and system of internal controls of the company's Executive Management, System Operations, Financial Operations, Marketing Operations, Human Resources, Customer Service, External Relations, and Support Services. In addition, provided an in-depth review of the development and implementation process of the company's new customer information system.

Before the District of Columbia Public Service Commission

Formal Case No. 1076 *In the matter of the application of the Potomac Electric Power Company for authority to increase exisiting retail rates and charges for electric distribution service*
On Behalf of the Staff of the DCPUC, July 2009-present
Assistant Project Manager and Consultant to Commission and Staff. Review and evaluation of Potomac Electric Power Company compliance filings and revenue requirements. Developed revenue requirements model to be used during Commission deliberations to analyze impact of various adjustments. Assisted Commissioners during deliberations.

Direct Testimony and Exhibits Of
Donna H. Mullinax

Formal Case No. 1053 *In the matter of the application of Potomac Electric Power Company for authority to increase existing retail rates and charges for electric distribution services*
On Behalf of the Staff of the DCPUC, February 2007-June 2008
Assistant Project Manager and Consultant to Commission and Staff. Review and evaluation of Potomac Electric Power Company compliance filings and revenue requirements for distribution service. Developed revenue requirements model to be used during Commission deliberations to analyze impact of various adjustments. Assisted Commissioners during deliberations.

Formal Case No. 1032 *In the Matter of the Investigation into Potomac Electric Power Company's Distribution Service Rates*
On Behalf of the DCPSC, January 2005-March 2005
Assistant Project Manager and Consultant to Commission and Staff. Review and evaluation of Potomac Electric Power Company compliance filings for class cost of service and revenue requirements for distribution service pursuit to a settlement approved in May 2002. Provided analysis and recommended adjustments to Staff on 23 designated issues and 13 Company proposed adjustments. Proceeding was settled in anticipation of a full rate case for rates to be effective August 8, 2007.

Formal Case No. 1016 *In the Matter of the Application of Washington Gas Light Company, District of Columbia Division, for Authority to Increase Existing Rates and Charges for Gas Service*
On Behalf of the DCPSC, June 2003-December 2003
Consultant to Commissioners and Staff. Project Manager for the review and evaluation of Washington Gas Light's (WGL) depreciation study filed with the DC Commission. Assistant Project Manager on the analysis of WGL's rate filings. Provided analysis and recommended adjustments to the DCPSC Staff on WGL's proposed increase to base rates. Advised the Commission during deliberations on party positions and recommended adjustment for consideration.

<u>Before the Hawaii Public Utilities Commission</u>
Docket 05-0075 *Instituting a Proceeding to Investigate Kauai Island Utility Cooperative's Proposed Revised Integrated Resource Planning and Demand Side Management Framework*
On behalf of the Staff of the HPUC, June 2005-November 2005
Assistant Project Manager and Senior Technical Consultant. Conducted and reported on the results of an industry survey of other cooperatives and Commissions to obtain an overview of how other entities approach the specific issues identified within this docket.

<u>Before the Maryland Public Service Commission</u>
Case No. 9092 *In the matter of the application of Potomac Electric Power Company for authority to revise its rates and charges for electric service and for certain rate design changes.*
On behalf of the Staff of the Maryland Public Service Commission -December 2006-June 2007
Expert witness, provided revenue requirements testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements

Direct Testimony and Exhibits Of
Donna H. Mullinax

Case No. 9062 *In the matter of the application of Chesapeake Utilities Corporation for authority to increase its existing natural gas rates and services*
On Behalf of the Maryland Office of People's Counsel, May 2006-August 2006
Expert witness, provided revenue testimony offering adjustments for the Commission consideration related to the rate base and revenue requirements of Chesapeake Utilities Corporation. Participated in settlement negotiations that were ultimately accepted by all parties.

Before the Michigan Public Service Commission
Case No. U-15506 *In the matter of the application of Consumers Energy Company for authority to increase its rates for the distribution of natural gas and for other relief.*
On behalf of the Michigan Attorney General, May 2008-November 2008
Expert witness, filed testimony offering adjustments for the Commission consideration related to the revenue requirements of Consumers Energy Company natural gas rates. Proceeding was resolved through negotiations.

Case No U-15244 *In the matter of the application of Detroit Edison for authority to increase its electric base rates.*
On behalf of the Michigan Attorney General, September 2007-October 2008
Assistant Project Manager and Senior Technical Consultant. Provided analytical support to testifying witness. Provided analytical support on the revenue requirements calculations and development of filed testimony.

Case No. U-15245 *In the matter of the application of Consumers Energy Company for authority to increase its rates for the generation and distribution of electricity and for other relief.*
On behalf of the Michigan Attorney General, July 2007-April 2008
Assistant Project Manager and Senior Technical Consultant. Provided analytical support to testifying witness. Provided analytical support to the filings in the permanent phase to reduce company's net operating income to more closely reflect the expected costs in 2008.

Case No. U-14547 *In the matter of the application of Consumer Energy Company for authority to increase rates for the distribution of natural gas and for other relief*
On Behalf of the Michigan Attorney General, December 2005-April 2006
Expert witness, provided testimony offering adjustments for the Commission consideration related to the revenue requirements of Consumers Energy Company.

Before the Public Utilities Commission of Ohio
Case No. 08-0072-GA-AIR *In the matter of the Application of Columbia Gas of Ohio, Inc. for an increase in Gas Rates.*
On behalf of the Staff of Ohio Public Utilities Commission, April 2008-August 2008
Assistant Project Manager, Section Lead, and Auditor. Assisted in analysis of a comprehensive rate case audit of Columbia Gas of Ohio's gas rate filing. Primary goal of project was to validate information in filing, provide findings conclusions and recommendations concerning the reliability of information and data in the filing and support Staff in its evaluation of the reasonableness of the filing.

Direct Testimony and Exhibits Of
Donna H. Mullinax

Case No. 07-0829-GA-AIR *In the matter of the Application of Dominion East Ohio for an increase in Gas Rates.*
On behalf of the Staff of Ohio Public Utilities Commission, November 2007-July 2008
Assistant Project Manager, Section Lead and Auditor. Assisted in analysis of a comprehensive rate case audit of Dominion East Ohio's gas rate filing. Primary goal of project was to validate information in filing, provide findings conclusions and recommendations concerning the reliability of information and data in the filing and support Staff in its evaluation of the reasonableness of the filing.

Case No. 07-0589-GA-AIR *In the matter of the Application of Duke Energy Ohio, Inc., for an increase in Gas Rates.*
On behalf of the Staff of Ohio Public Utilities Commission November 2007-February 2008
Assistant Project Manager, Section Lead, and Auditor. Assisted in analysis of a comprehensive rate case audit of Duke Energy Ohio's gas distribution rate filing. Primary goal of project was to validate information in filing, provide findings conclusions and recommendations concerning the reliability of information and data in the filing and support Staff in its evaluation of the reasonableness of the filing.

Before the Oregon Public Utilities Commission
Docket No. UP 205 *Examination of NW Natural's Rate Base and Affiliated Interests Issues*
Co-sponsored between NW Natural, Staff, Northwest Industrial Gas Users, Citizens Utility Board. August 2005-January 2006
Assistant Project Manager and audit lead for the examination of NW Natural's Financial Instruments, Deferred Taxes, Tax Credits, and Security Issuance Costs to ensure Company compliance with orders, rules and regulations of the OPUC and with Company policies.

Before the New York Public Service Commission
Case No. 00-E-0612 *Proceeding on Motion of the Commission to Investigate the Forced Outage at Consolidated Edison Company of New York, Inc.'s Indian Point No. 2 Nuclear Generation Facility*
On behalf of Consolidated Edison Company of New York, Inc., October 2000-September 2003
Project Manager supervising cross functional teams to assist scheduling and nuclear engineering experts with responses to interrogatories and the development of three comprehensive rebuttal testimonies on the prudence of extended outages at the Indian Point 2 nuclear power plant. The proceeding settled prior to filing of testimony.

Civil Dispute Experience
ADF Construction vs. Kismet
On Behalf of ADF Construction, December 2003-February 2004
Assistant Project Manager for a delay and disruption construction claim related to a large hotel complex in North Carolina. Worked with scheduling experts to determine schedule delay and disruption and calculated related damages.

New Carolina Construction vs. Atlantic Coast
New Carolina Construction vs. Acousti
On behalf of New Carolina Construction, July 2002-January 2003
Project Manager for a delay and disruption claim related to construction of a large high school complex in South Carolina. Worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.

Direct Testimony and Exhibits Of
Donna H. Mullinax

State of Nevada Bureau of Consumer Protection
September 2003-December 2003
Assistant Project Manager for damage assessment project related to potential litigation regarding the Western Market Manipulation.

Oakwood Homes
On behalf of Oakwood Homes, February 1999-May 2000
Assistant Project Manager for a delay and disruption claim related to the construction of a large manufacturing facility in Texas. Worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute was settlement through mediation.

McMillan Carter
On behalf of McMillan Carter, June 2002-September 2002
Project Manager for a delay and disruption claim related to construction of a large high school complex in North Carolina. Worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Claim was settled out of court.

Fluor Daniel Inc. vs. Solutia, Inc.
On behalf of Fluor Daniel, May 2000-August 2001
Assistant Project Manager for a delay and disruption construction claim related to large chemical processing facility in Texas. Worked with scheduling experts to determine schedule delay and disruption and calculated related damages. Dispute proceeded through mediation.

First National Bank of South Carolina vs. Pappas
On Behalf of First National Bank of South Carolina, 1991-1992
Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Supported counsel and expert witnesses during civil proceeding.

First Union vs. Pappas
On Behalf of First Union, 1991-1992
Civil litigation, deposed during pre-trial discovery on analytical findings related to check kiting and fraudulent loan applications. Dispute was settled out of court.

DELAWARE PUBLIC SERVICE COMMISSION Docket No. 09-414

Delmarva Power & Light

List of Exhibits

Exhibit #	Description	
DHM-1	Comparison of Company's Revenue Requirements and Staff's Proposal	
DHM-2	Rate of Return Calculation	
DHM-2.1	Impact of Staff's Rate of Return on Company's Proposed Revenue Requirements	
DHM-3.1	Summary of Adjustments to Company's Proposed Rate Base	
DHM-3.2	Summary of Staff's Adjustments to Company's Proposed Operating Income	
DHM-4.1	Adjustment 1	Weather Normalization (Co. Adj. #1)
DHM-4.1.1	Adjustment 1	Weather Normalization (Co. Adj. #1) Workpaper
DHM-4.2	Adjustment 2	Regulatory Commission Expense (Co. Adj. #2)
DHM-4.3	Adjustment 3	Uncollectibles (Co. Adj. #4)
DHM-4.3.1	Adjustment 3	Uncollectibles (Co. Adj. #4) Workpaper
DHM-4.4	Adjustment 4	Wages and Salaries (Co. Adj. #5)
DHM-4.5	Adjustment 5	Supplemental Executive Retirement (SERP)
DHM-4.6	Adjustment 6	Proforma Employee Benefits (Co. Adj. #7)
DHM-4.7	Adjustment 7	Pension Expense (Co. Adj. #9)
DHM-4.8	Adjustment 8	Incentive Compensation (Co. Adj. 10)
DHM-4.8.1	Adjustment 8	Incentive Compensation (Co. Adj. 10) Workpaper
DHM-4.9	Adjustment 9	Executive/Officer Compensation
DHM-4.9.1	Adjustment 9	Executive/Officer Compensation Workpaper
DHM-4.10	Adjustment 10	Energy Advisors (Co. Adj. #14)
DHM-4.11	Adjustment 11	Amortize IRP Deferred Costs (Co. Adj. #15)
DHM-4.12	Adjustment 12	RFP Deferred Costs (Co. Adj. #17)
DHM-4.13	Adjustment 13	Forecasted Reliability Closings (Co. Adj. # 19)
DHM-4.14	Adjustment 14	Deferred AMI Costs (Co. Adj. #20)
DHM-4.15	Adjustment 15	Wilmington Franchise Tax (Adj. #22)
DHM-4.15.1	Adjustment 15	Impact of Change of Revenue Conversion Factor
DHM-4.16	Adjustment 16	Construction Work in Progress
DHM-4.17	Adjustment 17	Interest Synchronization
DHM-4.18	Adjustment 18	Cash Working Capital (Co. Adj. #28)
DHM-4.18.1	Adjustment 18	Cash Working Capital (Co. Adj. #28) Workpaper
DHM-5	Direct and Allocated Charges from PHI Service Company to DP&L 2006-2009	
DHM-6	Delmarva's response to Data Request DPA-A-49	
DHM-7	Delmarva's response to Data Request DPA-A-48	
DHM-8	Delmarva response to Data Request PSC-A-19	
DHM-9	Delmarva's response to Data Request PSC-LA-30	
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DHM-11	Delmarva's response to Data Request PSC-A-20	
DHM-12	Delmarva's response to Data Request PSC-A-224	
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DHM-15	Delmarva's response to Data Request DPA-A-54	
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DHM-18	Delmarva's revised response to Data Request DPA-A-21	
DHM-19	Delaware Department of Labor website: Current-Labor-Force-Statistics	
DHM-20	Delaware Department of Labor website: Delaware Annual Economic Report, page 14	
DHM-21	Delmarva's response to Data Request PSC-A-74	
DHM-22	Delmarva's response to Data Request DPA-A-175	
DHM-23	Pepco Holdings, Inc. Proxy Statement and 2008 Annual Report to Shareholders-excerpt	
DHM-24	Delmarva's response to Data Request PSC-A-73	
DHM-25	Delmarva's response to Data Request PSC-A-86	
DHM-26	Delmarva's response to Data Request PSC-A-84	
DHM-27	Delmarva's response to Data Request PSC-RR-3	
DHM-28	Delmarva's response to Data Request PSC-A-87	
DHM-29	Delmarva's response to Data Request PSC-A-235	

Exhibit #	Description
DHM-30	Delmarva's response to Data Request PSC-A-92
DHM-31	Delmarva's response to Data Request PSC-A-93
DHM-32	Delmarva's response to Data Request PSC-A-241
DHM-33	Delmarva's response to Data Request Staff 2-4
DHM-34	Delmarva's response to Data Request DPA-A-139
DHM-35	Delmarva's response to Data Request PSC-A-118
DHM-36	Delmarva's response to Data Request PSC-A-246
DHM-37	Delmarva's response to Data Request PSC-A-252
DHM-38	Code of Federal Regulations: parts 101-142, pages 382-384
DHM-39	Delmarva's response to Data Request DPA-A-61, Attachment 1
DHM-40	Delmarva's response to Data Request PSC-A-185, Attachment 1 through Attachment 4
DHM-41	DCPSC Formal Case 1076 – Order No. 15322 dated July 10, 2009
DHM-42	DCPSC Formal Case 1076 - Office of People Counsel Initial Brief page 123
DHM-43	DCPSC Formal Case 1076 Apartment and Office Building Association Initial Brief page 32
DHM-44	Delmarva's response to Data Request PSC-A-24
DHM-45	Delmarva's response to Data Request PSC-A-25

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-1

Delmarva Power & Light
Twelve Months Ending March 31, 2009
Comparison of Company's Revenue Requirements and Staff's Proposal

(in thousands)

Line	Description	Company[1]	Proposed Adjustment	Adjusted Changes	Adjustment Reference
	(A)	(D)	(C)	(D)	(E)
1	**Rate Base**				
2	Electric Plant in Service	$ 907,144	$ (10,680)	$ 896,464	Exhibit DHM-3.1
3	Intangible Assets	10,080		10,080	
4	Less: Accumulated Depreciation and Amortization	(360,361)	$ (2,399)	(362,760)	Exhibit DHM-3.1
5	Net Plant in Service	$ 556,863	(13,079)	$ 543,784	
6	Subtractions:				
7	Customer Advances	(999)		(999)	
8	Accumulated Deferred Income Taxes	(144,539)	(382)	(144,921)	Exhibit DHM-3.1
9	Accumulated Investment Tax Credit	(3,058)		(3,058)	
10	Customer Deposits	(10,228)		(10,228)	
11	Additions:				
12	Materials and Supplies	9,943		9,943	
13	Cash Working Capital	20,571	211	20,782	Exhibit DHM-3.1
14	Other Elements of Property				
15	Construction Work in Progress	13,311	(13,311)	(0)	Exhibit DHM-3.1
16	Plant Held for Future Use	-		-	
17	Amortized Balances	10,737	1,066	11,803	
18	Total Rate Base	$ 452,601	$ (25,495)	$ 427,106	
19	Rate of Return	7.97%		6.70%	Exhibit DHM-2
20	Return Requirement	$ 36,072	$ (7,460)	$ 28,613	
21	**Operating Revenues**				
22	Sales	$ 143,656	$ 1,109	$ 144,765	Exhibit DHM-3.2
23	Interdepartmental	19		19	
24	Other Revenues	3,139		3,139	
25	Total Operating Revenues	$ 146,815	$ 1,109	$ 147,924	
26	**Operating Expenses**				
27	O&M Expenses	$ 88,822	$ (7,926)	$ 80,896	Exhibit DHM-3.2
28	Depreciation and Amortization	27,365	$ (2,412)	24,953	Exhibit DHM-3.2
29	Taxes Other Than Income	6,882	$ (24)	6,858	Exhibit DHM-3.2
30	Income Taxes and Provisions	$ 4,088	$ 5,307	$ 9,395	Exhibit DHM-3.2
31	Total Expenses	$ 127,157	$ (5,055)	$ 122,102	
32	Net Operating Income Before Taxes	$ 19,658	$ 6,164	$ 25,822	
33	AFUDC	253	(253)	(0)	Exhibit DHM-3.2
34	Other Income and Deductions	(157)		(157)	
38	**Operating Income for ROR Calculation**	$ 19,754	$ 5,910	$ 25,664	
39	**Income Deficiency**	$ 16,318	$ (13,370)	$ 2,948	
40	Revenue Conversion Factor	1.69246	-0.00233	1.69013	Exhibit DHM-3.2
41	**Revenue Deficiency**	$ 27,618	$ (22,635)	$ 4,983	
42	Revenue Deficiency Percent Change		-81.96%	18.04%	

[1] Source: Schedule Nos. 1-B and WMV-2

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-2

Delmarva Power & Light
Twelve Months Ending March 31, 2009
Rate of Return Calculation

Line	Description	Capital Structure (A)	Ratio (B)	Cost % (C)	Weighted Cost % (D)	Reference
	Company Rate of Return					
1	Long-Term Debt	$ 883,699,338	52.48%	5.45%	2.86%	Schedule Number 4A
2	Common Equity	800,043,265	47.52%	10.75%	5.11%	Schedule Number 4A
3	Total	$ 1,683,742,603	100.00%		7.97%	

Source: Briefing Sheet and Schedule 4A

Line	Description	Capital Structure (A)	Ratio (B)	Cost % (C)	Weighted Cost % (D)	Reference
	Staff Rate of Return					
1	Long-Term Debt		52.48%	5.08%	2.66%	Schedule JAR-1
2	Common Equity		47.52%	9.50%		Schedule JAR-1
3	Adjustment for Decoupling			-1.00%		Schedule JAR-1
4	Adjusted Common Equity			8.50%	4.04%	
5	Total		100.00%		6.70%	

Source: Testimony of James A. Rothschild

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-2.1

Delmarva Power & Light
Twelve Months Ending March 31, 2009
Impact of Staff's Rate of Return on Company's Proposed Revenue Requirements

(in thousands)

Line	Description	Company	Proposed Adjustment	Adjusted Changes	Adjustment Reference
	(A)	(B)	(C)	(D)	(F)
1	**Total Rate Base**	$ 452,601		$ 452,601	
2	Rate of Return	7.97%	**-1.27%**	6.70%	Exhibit DHM-2
3	Return Requirement	$ 36,072		$ 30,321	
4	**Operating Revenues**				
5	Sale of Electricity	$ 143,656		$ 143,656	
6	Interdepartmental	19		19	
7	Other Revenues	3,139		3,139	
8	Total Operating Revenues	$ 146,815		$ 146,815	
8	**Operating Expenses**				
9	O&M Expenses	$ 88,822		$ 88,822	
10	Depreciation and Amortization	27,365		27,365	
11	Taxes Other Than Income	6,882		6,882	
12	Income Taxes and Provisions	4,088		4,088	
13	Total Expenses	$ 127,157		$ 127,157	
14	Net Operating Income Before Taxes	$ 19,658		$ 19,658	
15	AFUDC	$ 253		253	
16	Other Income and Deductions	(157)		(157)	
17	**Operating Income for ROR Calculation**	$ 19,754		$ 19,754	
18	**Income Deficiency**	$ 16,318		$ 10,567	
19	Revenue Conversion Factor	1.69246		1.69246	
20	**Revenue Deficiency**	$ 27,618	$ (9,734)	$ 17,884	
21	Revenue Deficiency Percent Change		-35.25%		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-3.1

Delmarva Power & Light
Twelve Months Ending March 31, 2009
Summary of Adjustments to Company's Proposed Rate Base

Line	Description		Reference	Impact to Rate Base	Staff Proposed Cost of Capital: Impact on Return Requirement	Staff Proposed Cost of Capital: Revenue Requirement Impact
	(A)		(B)	(C)	(D)	(E)
1	**Electric Plant in Service**					
2	Adjustment 13	Forecasted Reliability Closings (Co. Adj. # 19)	Exhibit DHM-4.13	$ (10,680,147)	$ (715,484)	$ (1,209,263)
3					-	-
4	Total Electric Plant in Service			$ (10,680,147)	$ (715,484)	$ (1,209,263)
5	**Less Accumulated Depreciation**					
6	Adjustment 13	Forecasted Reliability Closings (Co. Adj. # 19)	Exhibit DHM-4.13	$ 2,399,235	$ 160,730	$ 271,654
7					-	-
8	Total Accumulated Depreciation			$ 2,399,235	$ 160,730	$ 271,654
9	**Accumulated Deferred Income Taxes**					
10	Adjustment 11	Amortize IRP Deferred Costs (Co. Adj. #15)	Exhibit DHM-4.11	$ (170,154)	$ (11,399)	$ (19,266)
11	Adjustment 12	RFP Deferred Costs (Co. Adj. #17)	Exhibit DHM-4.12	(206,581)	(13,839)	(23,390)
12	Adjustment 13	Forecasted Reliability Closings (Co. Adj. # 19)	Exhibit DHM-4.13	51,670	3,461	5,850
13	Adjustment 14	Deferred AMI Costs (Co. Adj. #20)	Exhibit DHM-4.14	(56,763)	(3,803)	(6,427)
14					-	-
15	Total Accumulated Deferred Income Taxes			$ (381,828)	$ (25,579)	$ (43,233)
16	**Cash Working Capital**					
17	Adjustment 18	Cash Working Capital (Co. Adj. # 27)	Exhibit DHM-4.18	$ 211,068	14,140	23,898
18					-	-
19	Total Construction Work in Progress			$ 211,068	$ 14,140	$ 23,898
20	**Construction Work in Progress**					
21	Adjustment 16	Construction Work in Progress	Exhibit DHM-4.16	$ (13,311,425)	(891,759)	(1,507,191)
22					-	-
23	Total Construction Work in Progress			$ (13,311,425)	$ (891,759)	$ (1,507,191)
24	**Amortized Balances**					
25	Adjustment 11	Amortize IRP Deferred Costs (Co. Adj. #15)	Exhibit DHM-4.11	$ 418,531	$ 28,038	$ 47,388
26	Adjustment 12	RFP Deferred Costs (Co. Adj. #17)	Exhibit DHM-4.12	508,127	34,040	57,533
27	Adjustment 14	Deferred AMI Costs (Co. Adj. #20)	Exhibit DHM-4.14	139,622	9,354	15,809
					-	-
28	Total Amortized Balances			$ 1,066,280	$ 71,432	$ 120,730
29		Total Change to Rate Base		$ (25,495,287)	$ (1,707,980)	$ (2,886,713)
30		Company Rate Base		$ 452,600,566		
31		Adjusted Rate Base		$ 427,105,279		

Notes and Source

Col C:	See referenced schedule		
Col D:	Computed using Rate of Return recommended by Staff		6.70%
Col E:	Computed using Revised Revenue Conversion Factor	Exhibit DHM-3.2	1.69013

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-3.2

Delmarva Power & Light
Twelve Months Ending March 31, 2009
Summary of Staff's Adjustments to Company's Proposed Operating Income

Line	Description (A)		Reference (B)	O&M Adjustment (C)	Other Taxes	State Income Tax (D)	Federal Income Tax (E)	NOI Adjustment (F)	Estimated Revenue Requirement Impact (G)
1	**Revenue**								
2	Adjustment 1	Weather Normalization (Co. Adj. #1)	Exhibit DHM-4.1	$ 1,109,155	$ 4,851	$ 96,074	$ 352,881	$ 655,349	$ (1,107,626)
3									
4	Total Revenue			$ 1,109,155	$ 4,851	$ 96,074	$ 352,881	$ 655,349	$ (1,107,626)
5	**Expenses**								
6	Adjustment 2	Regulatory Commission Expense (Co. Adj. #2)	Exhibit DHM-4.2	$ (87,933)		$ 7,651	$ 28,099	52,183	(88,197)
7	Adjustment 3	Uncollectibles (Co. Adj. #4)	Exhibit DHM-4.3	(1,195,259)		103,988	381,945	709,326	(1,198,855)
8	Adjustment 4	Wages and Salaries (Co. Adj. #5)	Exhibit DHM-4.4	(535,385)	$ (28,872)	49,090	180,308	334,859	(565,956)
9	Adjustment 5	Supplemental Executive Retirement Plan (SERP)	Exhibit DHM-4.5	(612,679)		53,303	195,782	363,594	(614,522)
10	Adjustment 6	Proforma Employee Benefits (Co. Adj. #7)	Exhibit DHM-4.6	(308,081)		26,803	98,447	182,831	(309,009)
12	Adjustment 7	Pension Expense (Co. Adj. #9)	Exhibit DHM-4.7	(1,647,223)		143,308	526,370	977,545	(1,652,180)
13	Adjustment 8	Incentive Compensation (Co. Adj. 10)	Exhibit DHM-4.8	(2,159,153)		187,846	689,957	1,281,350	(2,165,651)
14	Adjustment 9	Executive/Officer Compensation	Exhibit DHM-4.9	(709,096)		61,692	226,592	420,812	(711,227)
15	Adjustment 10	Energy Advisors (Co. Adj. #14)	Exhibit DHM-4.10	(670,829)		58,363	214,364	398,102	(672,845)
20	Adjustment 17	Interest Synchronization	Exhibit DHM-4.17			137,754	505,968	(643,722)	1,087,975
21								-	-
22	Total Expenses			$ (7,925,638)	$ (28,872)	$ 829,798	$ 3,047,832	$ 4,076,880	$ (6,890,467)
23	**Depreciation and Amortization**								
16	Adjustment 11	Amortize IRP Deferred Costs (Co. Adj. #15)	Exhibit DHM-4.11	(837,062)		72,825	267,483	496,754	(839,581)
17	Adjustment 12	RFP Deferred Costs (Co. Adj. #17)	Exhibit DHM-4.12	(1,016,255)		88,414	324,744	603,097	(1,019,313)
24	Adjustment 13	Forecasted Reliability Closings (Co. Adj. # 19)	Exhibit DHM-4.13	$ (279,819)		$ 24,345	$ 89,416	$ 166,058	$ (280,660)
29	Adjustment 14	Deferred AMI Costs (Co. Adj. #20)	Exhibit DHM-4.14	(279,243)		24,294	89,232	165,717	(280,084)
30								$ -	$ -
31	Total Depreciation and Amortization			$ (2,412,379)	$ -	$ 209,878	$ 770,875	$ 1,431,626	$ (2,419,638)
32	**Tax totals**			$ 5,307,338	$ (24,021)	$ 1,135,750	$ 4,171,588		
33	**AFUDC**								
34	Adjustment 16	Construction Work in Progress	Exhibit DHM-4.16	$ (253,479)					

Notes and Source

Col C: See referenced schedule
Col E: Computed using Revenue Conversion Factor 1.69013

Per Company

Revenue Requirement Gross-Up Factor	59.0856%	Schedule No. 5
Revenue Conversion Factor	1.69246	Schedule No. 5

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.1
Adjustment 1

Delmarva Power & Light
Adjustment:
Weather Normalization (Co. Adj. #1)

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	Total Revenue Adjustment	$ (4,193,218)	$ 1,109,155	$ (3,084,063)	Schedule WMV-3	Exhibit DHM-4.1.1
2	Expense					
3	O&M Expense	$ -		$ -		
4	Other Tax Rate	0.437%		0.437%	Schedule No. 5	
5	Effect on Other Tax	$ (18,338)	$ 4,851	$ (13,487)		
6	State Taxable	$ (4,174,880)		$ (3,070,576)		
7	State Income Tax Rate	8.7%		8.7%		
8	Effect on State income tax expense	$ (363,215)	$ 96,074	$ (267,140)		
9	Federal Taxable	$ (3,811,665)		$ (2,803,436)		
10	Federal Income Tax Rate	35%		35%		
11	Effect on Federal income tax expense	$ (1,334,083)	$ 352,881	$ (981,202)		
12	**Impact to Operating Income**	$ (2,477,582)	$ 655,349	$ (1,822,234)		

DELAWARE PUBLIC SERVICE COMMISSION

Delmarva Power & Light
Adjustment:
Weather Normalization (Co. Adj. #1) Workpaper

Docket No. 09-414
Exhibit DHM-4.1.1
Adjustment 1 Workpaper

Delaware Weather Corrected Sales & Revenues
30 Year Weather Correction
12 Months Ending March 31, 2009

(1) Line No.	(2) Item	(3) R	(4) RSH	(5) COM	(6) IND	(7) SL	(8) TOTAL
1	Delivered Sales(Kwh)	**1,915,883,462**	**1,046,994,553**	**3,535,587,802**	**2,163,341,056**	**37,960,145**	**8,699,767,018**
2							
3	**Booked Revenue**						
4	Distribution	$61,307,992	$25,453,055	$54,565,934	$10,121,453	$5,409,866	$ 156,858,300
5	Transmission	$10,881,606	$4,055,479	$5,871,488	$749,994	$0	$ 21,558,567
6	Generation (SOS)	$207,607,650	$107,675,235	$162,117,622	$31,946,948	$2,594,129	$ 511,941,585
7							
8	Total	$279,797,247	$137,183,770	$222,555,044	$42,818,395	$8,003,996	$690,358,452
9							
10	**Average Rates**						
11	Distribution	3.20	2.43	1.54	0.47	14.25	
12	Transmission	0.57	0.39	0.17	0.03	0.00	
13	Generation (SOS)	10.84	10.28	4.59	1.48	6.83	
14							
15	Weather Corrected Delivered Sales (Kwh)	**1,880,639,198**	**947,144,014**	**3,494,249,926**	**2,163,341,056**	**37,960,145**	**8,523,334,339**
16							
17	**Weather Corrected Revenue**						
18	Distribution	$60,180,181	$23,025,629	$53,927,953	$10,121,453	$5,409,866	$152,665,082
19	Transmission	$10,681,429	$3,668,713	$5,802,839	$749,994	$0	$20,902,975
20	Generation (SOS)	$203,788,535	$97,406,385	$160,222,153	$31,946,948	$2,594,129	$495,958,151
21							
22	Total	**$274,650,145**	**$124,100,728**	**$219,952,944**	**$42,818,395**	**$8,003,996**	**$669,526,208**
23							
24	**Variance From Booked Revenue**						
25	Distribution	($1,127,811)	($2,427,425)	($637,982)	$0	$0	($4,193,218)
26	Transmission	($200,176)	($386,766)	($68,649)	$0	$0	($655,591)
27	Generation (SOS)	($3,819,115)	($10,268,850)	($1,895,469)	$0	$0	($15,983,434)
28							
29	Total	**($5,147,102)**	**($13,083,042)**	**($2,602,100)**	**$0**	**$0**	**($20,832,244)**
30							
31	**CALCULATIONS ADDED BELOW**				**CALCULATIONS ADDED BELOW**		
32							
33	WEATHER CORRECTION (KWH)	(35,244,264)	(99,850,539)	(41,337,876)	0	0	(176,432,679)
34							
35	Distribution Energy Rate	0.023009	0.018066				
36							
37	**Variance From Booked Revenue**						
38	Distribution	(810,935)	(1,803,900)	**(469,228)**			$\boxed{(\$3,084,063)}$
39							
40	Line 38 / Line 25	71.90%	74.31%				
41							
42	Composite Rate Based Upon R and RSH (Line 38 / Line 25)			73.55%			

Additional Calculations provided by Staff Witness Howard Solganick (see Exhibit HS-6)
COM estimate calculated by DHM based upon R and RSH composite rate

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.2
Adjustment 2

Delmarva Power & Light
Adjustment:
Regulatory Commission Expense (Co. Adj. #2)

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	Regulatory Commission Expense (3 Year Average)	$103,728		$103,728	Schedule WMV-4	
2	Regulatory Commission Expense Included in Test Period	$52,376		$52,376	Schedule WMV-4	
3	Adjustment to Per Books Regulatory Commission Expense	$51,352		$51,352		
4	Cost related to DPA charging non-base activities	$50,000		$50,000	Schedule WMV-4	
5	Cost of Current Case ($640,000) Amount included in Adjustment	$213,333	(87,933)	$125,400	Schedule WMV-4	Line 27
6	Total Expense Adjustment	$314,685	$ (87,933)	$226,752		
7	State Income Tax Rate	8.7%		8.7%		
8	Effect on State income tax expense	$ (27,378)	$ 7,651	$ (19,727)		
9	Federal Taxable	$ 287,307		$ 207,025		
10	Federal Income Tax Rate	35%		35%		
11	Effect on Federal income tax expense	$ (100,558)	$ 28,099	$ (72,459)		
12	Total Expense	$ 186,750		$ 134,567		
13	**Impact to Operating Income**	$ (186,750)	$ 52,183	$ (134,567)		
14	Delaware Electric (excludes regulatory assessment)					
15	12 m/e 3/31/07	$176,126		$176,126	Schedule WMV-4	
16	12 m/e 3/31/08	$82,681		$82,681	Schedule WMV-4	
17	12 m/e 3/31/09	$52,376		$52,376	Schedule WMV-4	
18	Average	$103,728		$103,728		
19	Cost of Current Case					
20	External Legal	$250,000		$250,000	Schedule WMV-4	
21	Cost of Capital Consultant	$65,000	(13,000)	$52,000	Schedule WMV-4	Data Request DPA-A-49
22	Court reporter/notice/etc	$25,000		$25,000	Schedule WMV-4	
23	DPSC	$200,000		$200,000	Schedule WMV-4	
24	DPA	$100,000		$100,000	Schedule WMV-4	
25	Total	$640,000		$627,000		
26	Amortization period	3	2	5	Schedule WMV-4	Data Request DPA-A-48
27	Annual amortization	$ 213,333	$ (87,933)	$ 125,400		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.3
Adjustment 3

Delmarva Power & Light
Adjustment:
Uncollectibles (Co. Adj. #4)

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	Delaware Electric Uncollectible Expense Included in Test Period (non-SOS)	$ 2,154,812		$ 2,154,812	Schedule WMV-6	
2	Delaware Electric Uncollectible Expense (6 mos actual + 6 mos budget ending 12/09)	2,744,063	(2,744,063)	-	Schedule WMV-6	
3	Three-year Average Uncollectibles		1,548,804	1,548,804		Exhibit DHM-4.3.1
4	Adjustment to Per Books Uncollectible Expense	$ 589,251	(1,195,259)	$ (606,008)		
5	State Income Tax Rate	8.7%		8.7%		
6	Effect on State income tax expense	$ (51,265)	$ 103,988	$ 52,723		
7	Federal Taxable	$ 537,986		$ (553,285)		
8	Federal Income Tax Rate	35%		35%		
9	Effect on Federal income tax expense	$ (188,295)	$ 381,945	$ 193,650		
10	Total Expense	$ 349,691		$ (359,635)		
11	**Impact to Operating Income**	$ (349,691)	$ 709,326	$ 359,635		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.3.1
Adjustment 3 Workpaper

Delmarva Power & Light
Adjustment:
Uncollectibles (Co. Adj. #4) Workpaper

		12-months ending March 31		
Month	**Total Uncollectible**	**2007**	**2008**	**2009**
Jan-06	$ 593,582			
Feb-06	$ 550,939			
Mar-06	$ (264,051)			
Apr-06	$ 388,216	$ 388,216		
May-06	$ (78,318)	$ (78,318)		
Jun-06	$ (1,182,019)	$ (1,182,019)		
Jul-06	$ 675,670	$ 675,670		
Aug-06	$ 712,935	$ 712,935		
Sep-06	$ 578,433	$ 578,433		
Oct-06	$ 419,811	$ 419,811		
Nov-06	$ (84,025)	$ (84,025)		
Dec-06	$ 470,232	$ 470,232		
	$ 2,781,405			
Jan-07	$ 413,310	$ 413,310		
Feb-07	$ 454,167	$ 454,167		
Mar-07	$ 453,077	$ 453,077		
Apr-07	$ 359,321		$ 359,321	
May-07	$ 322,806		$ 322,806	
Jun-07	$ 2,268,677		$ 2,268,677	
Jul-07	$ 537,110		$ 537,110	
Aug-07	$ 474,610		$ 474,610	
Sep-07	$ 2,989,332		$ 2,989,332	
Oct-07	$ 366,268		$ 366,268	
Nov-07	$ 348,374		$ 348,374	
Dec-07	$ 1,395,095		$ 1,395,095	
	$ 10,382,147			
Jan-08	$ 902,301		$ 902,301	
Feb-08	$ 872,645		$ 872,645	
Mar-08	$ 2,307,744		$ 2,307,744	
Apr-08	$ 716,699			$ 716,699
May-08	$ 639,529			$ 639,529
Jun-08	$ 2,334,705			$ 2,334,705
Jul-08	$ 1,069,219			$ 1,069,219
Aug-08	$ 1,035,136			$ 1,035,136
Sep-08	$ 1,663,701			$ 1,663,701
Oct-08	$ 738,562			$ 738,562
Nov-08	$ 696,442			$ 696,442
Dec-08	$ 909,722			$ 909,722
	$ 13,886,405			
Jan-09	$ 1,568,181			$ 1,568,181
Feb-09	$ 1,436,369			$ 1,436,369
Mar-09	$ 1,345,360			$ 1,345,360
Apr-09	$ 1,119,225			
May-09	$ 979,998			
Jun-09	$ 1,134,057			
Jul-09	$ 1,326,436			
Aug-09	$ 1,437,788			
Sep-09	$ 1,316,737			
Oct-09				
Nov-09				
Dec-09				
	$ 11,664,151	$ 3,221,489	$ 13,144,283	$ 14,153,625
		15.22%	15.22%	15.22%
		$ 490,454	$ 2,001,145	$ 2,154,812
Three-year average Uncollectibles Delaware Distribution				$ 1,548,804

990400 Uncollectible Accounts in Cost of Service

Jurisdiction	**Uncollectible**	**Ratio**	**Source**
Delaware Distribution	$ 2,154,812	15.22%	WP COS #11
Delaware SOS	$ 6,893,463	48.70%	WP COS #11
Maryland Distribution	$ 1,328,226	9.38%	WP COS #11
Maryland SOS	$ 3,777,124	26.69%	WP COS #11
	$ 14,153,625	100.00%	

Source: Delmarva's response to Data Request PSC-A-224

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.4
Adjustment 4

Delmarva Power & Light
Adjustment:
Wages and Salaries (Co. Adj. #5)

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	Salary and Wage Adjustment	$ 535,385	$ (535,385)	$ -	Schedule WMV-7	
2	FICA Adjustment	28,872	$ (28,872)	-	Schedule WMV-7	
3	Total Salary, Wage, and FICA	$ 564,257	$ (564,257)	$ -		
4	State Income Tax Rate	8.7%		8.7%		
5	Effect on State income tax expense	$ (49,090)	$ 49,090	$ -		
6	Federal Taxable	$ 515,167		$ -		
7	Federal Income Tax Rate	35%		35%		
8	Effect on Federal income tax expense	$ (180,308)	$ 180,308	$ -		
9	Total Expense	$ 334,858		$ -		
10	**Impact to Operating Income**	$ (334,858)	$ 334,858	$ -		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.5
Adjustment 5

Delmarva Power & Light
Adjustment:
Supplemental Executive Retirement Plan (SERP)

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1				-		
1	SERP included in Cost of Service	$ 612,679	$ (612,679)	$ -		Data Request DPA-A-25
5	State Income Tax Rate	8.7%		8.7%		
6	Effect on State income tax expense	$ (53,303)	$ 53,303	$ -		
7	Federal Taxable	$ 559,376		$ -		
8	Federal Income Tax Rate	35%		35%		
9	Effect on Federal income tax expense	$ (195,782)	$ 195,782	$ -		
10	Total Expense	$ 363,594		$ -		
11	**Impact to Operating Income**	$ (363,594)	$ 363,594	$ -		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.6
Adjustment 6

Delmarva Power & Light
Adjustment:
Proforma Employee Benefits (Co. Adj. #7)

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	Proforma Employee Benefits	$ 308,081	$ (308,081)	-	Schedule WMV-9	
2	State Income Tax Rate	8.7%		8.7%		
3	Effect on State income tax expense	$ (26,803)	$ 26,803	$ -		
4	Federal Taxable	$ 281,278		$ -		
5	Federal Income Tax Rate	35%		35%		
6	Effect on Federal income tax expense	$ (98,447)	$ 98,447	$ -		
7	Total Expense	$ 182,831		$ -		
8	**Impact to Operating Income**	$ (182,831)	$ 182,831	$ -		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.7
Adjustment 7

Delmarva Power & Light
Adjustment:
Pension Expense (Co. Adj. #9)

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	Adjusted Pension Expense per Company	$ 5,669,635	$ (5,669,635)	$ -	Schedule WMV-30	
2	Pension Expense - 2008		43,214	$ 43,214		Schedule RCS-1
3	Pension Expense - 2009		8,001,610	8,001,610		Schedule RCS-1
4	Average Pension Expense 2008 and 2009			$ 4,022,412		
5	Pension Expense to include in revenue requirements	$ 5,669,635	$ (1,647,223)	$ 4,022,412		
6	State Income Tax Rate	8.7%	-	8.7%		
7	Effect on State income tax expense	$ (493,258)	$ 143,308	$ (349,950)		
8	Federal Taxable	$ 5,176,377		$ 3,672,462		
9	Federal Income Tax Rate	35%		35%		
10	Effect on Federal income tax expense	$ (1,811,732)	$ 526,370	$ (1,285,362)		
11	Total Expense	$ 3,364,645		$ 2,387,100		
12	**Impact to Operating Income**	$ (3,364,645)	$ 977,545	$ (2,387,100)		
	Reconciliation to Schedule RCS-1					
13	Adjustment per Ralph Smith		(3,979,198)			
14	Pension Expense - 12 m/e March 2009 Actual		4,448,660		Schedule WMV-11	
15	Distribution Expense Ratio		89.07%		Schedule WMV-11	
16	Distribution Expense		3,962,239			
17	DE Distribution Allocation Factor		58.86%		Schedule WMV-11	
18	DE Distribution O&M Allocated Factor		2,331,975			
19	Difference between Adjustment and Amount in Test Year		(1,647,223)			

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.8
Adjustment 8

Delmarva Power & Light
Adjustment:
Incentive Compensation (Co. Adj. 10)

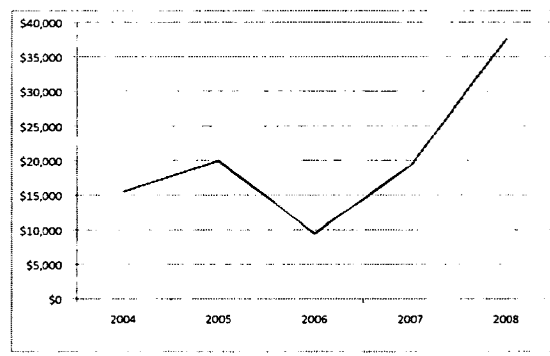
Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	Non-Executive Incentive Compensation	$ 2,159,153	$ (2,159,153)	-		Data Request DPA-A-21
2	State Income Tax Rate	8.7%		8.7%		
3	Effect on State income tax expense	$ (187,846)	$ 187,846	$ -		
4	Federal Taxable	$ 1,971,307		$ -		
5	Federal Income Tax Rate	35%		35%		
6	Effect on Federal income tax expense	$ (689,957)	$ 689,957	$ -		
7	Total Expense	$ 1,281,350		$ -		
8	**Impact to Operating Income**	$ (1,281,350)	$ 1,281,350	$ -		

DELAWARE PUBLIC SERVICE COMMISSION
Adjustment:
Incentive Compensation (Co. Adj. 10) Workpaper

Docket No. 09-414
Exhibit DHM-4.8.1
Adjustment 8 Workpaper

QUESTION PSC-A-74: COMPANY'S INCENTIVE COMPENSATION - TOTAL DPL & DPL DE DISTRIBUTION

Line No.	COMPANY CODE 1000 - DELMARVA POWER		2008	2007	2006	2005	2004
1	GL #	GL Description					
2	710020	Salaries-Incentive- allocated to DPL	$13,244	$12,807	$14,687	$35,550	$27,847
3	710022	Salaries-Employee Recognition-allocated to DPL	$70,149	$66,571	$62,698	$82,322	$112,139
4	710036	Salaries-LTIP/PARS	$185,845	$0	$19,879	$0	$0
4	710055	Accrued Liability-Safety Incentive - allocated to DPL	$427,713	$373,644	($33,670)	$802,204	$1,427,282
5	710060	Accrued Liability- AIP-amt. allocated to DPL	$1,659,762	$1,137,723	($231,990)	$595,531	$304,688
6	710061	Accrued Liability-Incentive Current-allocated to DPL	$0	$109	$608	$0	$1,514
7	710065	Accrued Liability- Executive-Other-allocated to DPL	$0	$112	$0	$0	$838
8	710066	Accrued Liability - Payout vs. Actual-allocated to DPL	($34,608)	$0	$0	$0	$0
9	710068	Accrued Liability-Executive - allocated to DPL	$48,313	$0	$0	$0	$33,755
10		**Total: less executive 710065 & 710068**	$2,322,105	$1,590,854	($167,788)	$1,515,607	$1,873,470
11	**Allocations**						
12	DPL Electric (vs. Gas) %		79.00%	79.00%	79.00%	79.00%	79.00%
13	DPL Electric Expense		$1,834,463	$1,256,775	($132,553)	$1,197,330	$1,480,041
14	DPL Electric Distribution (vs. Transmission) %		88.01%	86.69%	87.53%	85.62%	86.46%
15	DPL Electric Distribution Expense		$1,614,511	$1,089,498	($116,023)	$1,025,154	$1,279,644
16	DPL Electric DE Distribution (vs. MD Distribution) %		58.73%	56.19%	56.12%	57.05%	57.09%
17	DPL Electric DE Distribution Expense		$948,202	$612,189	($65,112)	$584,850	$730,549
18	COMPANY CODE 9000 - PHI SERVICE COMPANY		2008	2007	2006	2005	2004
19	GL #	GL Description					
20	710020	Salaries-Incentive- allocated to DPL	$288,912	$328,107	$387,784	$447,830	$1,372,452
21	710022	Salaries-Employee Recognition-allocated to DPL	$234,130	$78,902	$183,847	$196,901	$389,460
22	710036	Salaries-LTIP/PARS	$16,151,619	$4,262,201	$5,699,099	$4,425,787	$4,694,939
23	710055	Accrued Liability-Safety Incentive - allocated to DPL	$252,502	$190,250	$139,591	$206,414	$1,067,501
24	710060	Accrued Liability- AIP-amt. allocated to DPL	$11,518,503	$8,717,909	($702,947)	$10,300,423	$2,032,046
25	710061	Accrued Liability-Incentive Current-allocated to DPL	$8,075,587	$5,681,587	$3,738,824	$4,296,861	$4,980,270
26	710065	Accrued Liability- Executive-Other-allocated to DPL	$1,338,919	$1,414,903	$0	$669	$2,072,549
27	710066	Accrued Liability - Payout vs. Actual-allocated to DPL	$1,066,865	$0	$0	$66,427	$924,313
28	710068	Accrued Liability-Executive - allocated to DPL	$4,453,982	$4,490,823	$1,236,383	$3,338,667	$2,673,957
29		**Total: less executive 710065 & 710068**	$\boxed{\$37,588,118}$	$19,258,956	$9,446,198	$\boxed{\$19,940,643}$	$15,460,981
30	**Allocations**						
31	DPL (as % of PHI)		26.41%	29.12%	26.71%	30.00%	30.00%
32	DPL Expense		$1,176,297	$1,307,728	$330,238	$1,001,567	$802,160
33	DPL Electric (vs. Gas) %		79.00%	79.00%	79.00%	79.00%	79.00%
34	DPL Electric Expense		$929,274	$1,033,105	$260,888	$791,238	$633,707
35	DPL Electric Distribution (vs. Transmission) %		88.01%	86.69%	87.53%	85.62%	86.46%
36	DPL Electric Distribution Expense		$817,854	$895,599	$228,355	$677,458	$547,903
37	DPL Electric DE Distribution (vs. MD Distribution) %		58.73%	56.19%	56.12%	57.05%	57.09%
38	DPL Electric DE Distribution Expense		$480,326	$503,237	$128,153	$386,490	$312,798
39	SUMMARY - COMPANY CODES 1000 & 9000 w/o executive 710065 & 710068						
39	DPL Expense		$3,498,402	$2,898,582	$162,450	$2,517,174	$2,675,630
39	DPL Electric Expense		$2,763,737	$2,289,880	$128,335	$1,988,567	$2,113,748
39	DPL Electric Distribution Expense		$2,432,365	$1,985,097	$112,332	$1,702,611	$1,827,547
39	DPL Electric DE Distribution Expense		$1,428,528	$1,115,426	$63,041	$971,340	$1,043,346
39		**5 yr average**	$924,336				



2004	$15,461
2005	$19,941
2006	$9,446
2007	$19,259
2008	$37,588

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.9
Adjustment 9

Delmarva Power & Light
Adjustment:
Executive/Officer Compensation

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	Salary	$ 3,152,375	$ -	$ 3,152,375		
2	Bonus	-	-	-		
3	LTIP Stock Awards	4,447,411	(4,447,411)	-		Exhibit DHM-4.9.1
4	EICP Non-Equity Incentive Plan Compensation	2,194,603	(1,426,492)	768,111		Exhibit DHM-4.9.1
5	Change in Pension Value	7,309,736	-	7,309,736		
6	Non-Qualified Deferred Comp Above Market Earnings	30,060	-	30,060		
7	Dividends Restricted Stock	149,497	(149,497)	-		Exhibit DHM-4.9.1
8	Common Stock	290,095	(290,095)	-		Exhibit DHM-4.9.1
9	Life Insurance	7,000	-	7,000		
10	Company Match Retirement Savings	51,750	-	51,750		
11	Company Match Deferred Compensation	72,597	(72,597)	-		Exhibit DHM-4.9.1
12	Company Car or Auto Allowance	53,863	-	53,863		
13	Parking	9,600	-	9,600		
14	Tax Preparation Fee	9,200	(9,200)	-		Exhibit DHM-4.9.1
15	Financial Planning Fee	62,091	(62,091)	-		Exhibit DHM-4.9.1
16	Executive Physical Fee	2,135	-	2,135		
17	Club Dues	15,427	(15,427)	-		Exhibit DHM-4.9.1
18	Spousal Travel	4,593	(4,593)	-		Exhibit DHM-4.9.1
19	Employment Transition Expenses	97,922	(97,922)	-		Exhibit DHM-4.9.1
20	Total Compensation	$ 17,959,955	$ (6,575,325)	$ 11,384,630		
21	DPL (as % of PHI)	26.41%		26.41%		Allocation - PSC-A-74
22	DPL Expense	4,743,224		3,006,681		
23	DPL Electric (vs. Gas) %	79.00%		79.00%		Allocation - PSC-A-74
24	DPL Electric Expense	3,747,147		2,375,278		
25	DPL Electric Distribution (vs. Transmission) %	88.01%		88.01%		Allocation - PSC-A-74
26	DPL Electric Distribution Expense	3,297,864		2,090,482		
27	DPL Electric DE Distribution (vs. MD Distribution) %	58.73%		58.73%		Allocation - PSC-A-74
28	DPL Electric DE Distribution Expense	1,936,836	(709,096)	1,227,740		
29	State Income Tax Rate	8.700%		8.700%		
30	Effect on State income tax expense	$ (168,505)	$ 61,692	$ (106,813)		
31	Federal Taxable	$ 1,768,331		$ 1,120,927		
32	Federal Income Tax Rate	35%		35%		
33	Effect on Federal income tax expense	$ (618,916)	$ 226,592	$ (392,324)		
34	Total Expense	$ 1,149,415		$ 728,603		
35	**Impact to Operating Income**	$ (1,149,415)	$ 420,812	$ (728,603)		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.9.1
Adjustment 9 Workpaper

Delmarva Power & Light
Adjustment:
Executive/Officer Compensation Workpaper

Line	Description	Salary	Bonus	LTIP Stock Awards	EICP Non-Equity Incentive Comp	Change in Pension Value	Non-Qualified Deferred Comp Above Mkt Earnings	Other Comp	Total Comp
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1	COMPANY ACTUAL								
2	Total Compensation								
3	Chairman	$ 1,076,000	$ -	$ 2,787,590	$ 968,400	$ 4,813,137	$ 16,339	$ 351,894	$ 10,013,360
4	President and CEO	659,375	-	468,781	356,063	513,827		117,423	2,115,469
5	Senior Vice President and CFO	518,000	-	351,403	279,720	23,328		164,166	1,336,617
6	Vice Chairman and Chief Legal Officer	558,000	-	628,350	301,320	1,876,203	13,721	131,910	3,509,504
7	Executive Vice President	341,000	-	211,287	289,100	83,241		60,377	985,005
8	Total	$ 3,152,375	$ -	$ 4,447,411	$ 2,194,603	$ 7,309,736	$ 30,060	$ 825,770	$ 17,959,955

Line	Description	Dividends Restricted Stock	Common Stock	Life Insurance	Co Match Retirement Savings	Co Match Deferred Compensation	Company Car or Allowance	Parking	Tax Prep Fee	Financial Planning Fee	Executive Physical Fee	Club Dues	Spousal Travel	Employment Transition Expense	Total Other Comp
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)
9	Breakdown of Other Compensation														
10	Chairman	$ 85,235	$ 190,641	$ 2,395	$ 10,350	$ 34,004	$ 8,590	$ 2,400	$ 2,300	$ 9,620	$ 270	$ 4,677	$ 1,412	$ -	$ 351,894
11	President and CEO	22,410	40,134	1,463	10,350	14,678	11,700	2,400	2,300	9,620	800	1,232	336		117,423
12	Senior Vice President and CFO	11,361	-	1,156	10,350	8,218	11,700	2,400	2,300	17,271	-	1,488	-	97,922	164,166
13	Vice Chairman and Chief Legal Officer	22,490	51,375	1,244	10,350	10,818	10,173	2,400	2,300	9,620	265	8,030	2,845	-	131,910
14	Executive Vice President	8,001	7,945	742	10,350	4,879	11,700	-	-	15,960	800	-	-	-	60,377
15	Total	$ 149,497	$ 290,095	$ 7,000	$ 51,750	$ 72,597	$ 53,863	$ 9,600	$ 9,200	$ 62,091	$ 2,135	$ 15,427	$ 4,593	$ 97,922	$ 825,770

Source: Pepco Holdings, Inc. Proxy Statement and 2008 Annual Report to Shareholders, pages 28-29

Line	Description	Salary	Bonus	LTIP Stock Awards	EICP Non-Equity Incentive Comp	Change in Pension Value	Non-Qualified Deferred Comp Above Mkt Earnings	Other Comp	Total Comp
16	ADJUSTMENT	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
17	Total Compensation				65%				
18	Chairman			$ (2,787,590)	$ (629,460)			$ (327,889)	$ (3,744,939)
19	President and CEO			(468,781)	(231,441)			(90,710)	(790,932)
20	Senior Vice President and CFO			(351,403)	(181,818)			(138,560)	(671,781)
21	Vice Chairman and Chief Legal Officer			(628,350)	(195,858)			(107,478)	(931,686)
22	Executive Vice President			(211,287)	(187,915)			(36,785)	(435,987)
23	Total	$ -	$ -	$ (4,447,411)	$ (1,426,492)	$ -	$ -	$ (701,422)	$ (6,575,325)

Line	Description	Dividends Restricted Stock	Common Stock	Life Insurance	Co Match Retirement Savings	Co Match Deferred Compensation	Company Car or Allowance	Parking	Tax Prep Fee	Financial Planning Fee	Executive Physical Fee	Club Dues	Spousal Travel	Employment Transition Expense	Total Other Comp
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)
24	Breakdown of Other Compensation														
25	Chairman	$ (85,235)	$ (190,641)			$ (34,004)			$ (2,300)	$ (9,620)		$ (4,677)	$ (1,412)		$ (327,889)
26	President and CEO	(22,410)	(40,134)			(14,678)			(2,300)	(9,620)		(1,232)	(336)		(90,710)
27	Senior Vice President and CFO	(11,361)	-			(8,218)			(2,300)	(17,271)		(1,488)	-	(97,922)	(138,560)
28	Vice Chairman and Chief Legal Officer	(22,490)	(51,375)			(10,818)			(2,300)	(9,620)		(8,030)	(2,845)		(107,478)
29	Executive Vice President	(8,001)	(7,945)			(4,879)			-	(15,960)		-	-		(36,785)
30	Total	$ (149,497)	$ (290,095)	$ -	$ -	$ (72,597)	$ -	$ -	$ (9,200)	$ (62,091)	$ -	$ (15,427)	$ (4,593)	$ (97,922)	$ (701,422)

Line	Description	Salary	Bonus	LTIP Stock Awards	EICP Non-Equity Incentive Comp	Change in Pension Value	Non-Qualified Deferred Comp Above Mkt Earnings	Other Comp	Total Comp	
31	ADJUSTED AMOUNT	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
32	Total Compensation									
33	Chairman	$ 1,076,000	$ -	$ -	$ 338,940	$ 4,813,137	$ 16,339	$ 24,005	$ 6,268,421	63%
34	President and CEO	659,375	-	-	124,622	513,827	-	26,713	1,324,537	63%
35	Senior Vice President and CFO	518,000	-	-	97,902	23,328	-	25,606	664,836	50%
36	Vice Chairman and Chief Legal Officer	558,000	-	-	105,462	1,876,203	13,721	24,432	2,577,818	73%
37	Executive Vice President	341,000	-	-	101,185	83,241	-	23,592	549,018	56%
38	Total	$ 3,152,375	$ -	$ -	$ 768,111	$ 7,309,736	$ 30,060	$ 124,348	$ 11,384,630	63%

Line	Description	Dividends Restricted Stock	Common Stock	Life Insurance	Co Match Retirement Savings	Co Match Deferred Compensation	Company Car or Allowance	Parking	Tax Prep Fee	Financial Planning Fee	Executive Physical Fee	Club Dues	Spousal Travel	Employment Transition Expense	Total Other Comp
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)
39	Breakdown of Other Compensation														
40	Chairman	$ -	$ -	$ 2,395	$ 10,350	$ -	$ 8,590	$ 2,400	$ -	$ -	$ 270	$ -	$ -	$ -	$ 24,005
41	President and CEO	-	-	1,463	10,350	-	11,700	2,400	-	-	800	-	-	-	26,713
42	Senior Vice President and CFO	-	-	1,156	10,350	-	11,700	2,400	-	-	-	-	-	-	25,606
43	Vice Chairman and Chief Legal Officer	-	-	1,244	10,350	-	10,173	2,400	-	-	265	-	-	-	24,432
44	Executive Vice President	-	-	742	10,350	-	11,700	-	-	-	800	-	-	-	23,592
45	Total	$ -	$ -	$ 7,000	$ 51,750	$ -	$ 53,863	$ 9,600	$ -	$ -	$ 2,135	$ -	$ -	$ -	$ 124,348

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.10
Adjustment 10

Delmarva Power & Light
Adjustment:
Energy Advisors (Co. Adj. #14)

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	Cost of Energy Expert-DPL Delaware	$ 3,063,000	(1,390,000)	1,673,000	Schedule WMV-16	Line 26
2	DP&L Electric allocation	82.00%		82.00%	Schedule WMV-16	
3	Cost of Energy Expert-DPL Electric	$ 2,511,660		$ 1,371,860		
4	Delaware Distribution Allocation	58.85%		58.85%	Schedule WMV-16	
5	Delaware Distribution Total	$ 1,478,237	$ (670,829)	$ 807,408		
6	State Income Tax Rate	8.7%		8.7%		
7	Effect on State income tax expense	$ (128,607)	$ 58,363	$ (70,244)		
8	Federal Taxable	$ 1,349,630		$ 737,164		
9	Federal Income Tax Rate	35%		35%		
10	Effect on Federal income tax expense	$ (472,371)	$ 214,364	$ (258,007)		
11	Total Expense	$ 877,260		$ 479,158		
12	**Impact to Operating Income**	$ (877,260)	$ 398,102	$ (479,158)		

Line	Description	Number of Positions	Estimated Costs	Reference
13	Energy Advisor Team			
14	Supervisors	2	$ 343,000	Data Request PSC-A-84
15	Call Center Representatives	15	$ 1,813,000	Data Request PSC-A-84
16	Quality Analyst	1	$ 144,000	Data Request PSC-A-84
17	Energy Advisor Team Total	18	$ 2,300,000	
18	Energy Specialist Team			
19	Supervisor	1	$ 195,000	Data Request PSC-A-84
20	Specialists	4	$ 702,000	Data Request PSC-A-84
21	Energy Specialist Team Total	5	$ 897,000	
22	Energy Advisor Team and Energy Specialist Team Total	23	$ 3,197,000	
23	Average cost of resource		$ 139,000	
24	Number of positions hired March 1, 2010		13	Data Request PSC-A-86, a
25	Estimated cost of new hires on or before March 31, 2010		$ 1,807,000	
26	Estimated cost of FTEs after March 31, 2010		$ (1,390,000)	

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.11
Adjustment 11

Delmarva Power & Light
Adjustment:
Amortize IRP Deferred Costs (Co. Adj. #15)

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	**Operating Income**					
2	Total IRP deferred cost	$ 3,587,410		3,587,410	Schedule WMV-17	
3	Amortization Period	3.00	7.00	10.00	Schedule WMV-17	
4	Annual amortization amount	$ 1,195,803	$ (837,062)	$ 358,741		
5	State Income Tax Rate	8.7%		8.7%		
6	Effect on State income tax expense	$ (104,035)	$ 72,825	$ (31,210)		
7	Federal Taxable	$ 1,091,768		$ 327,531		
8	Federal Income Tax Rate	35%		35%		
9	Effect on Federal income tax expense	$ (382,119)	$ 267,483	$ (114,636)		
10	Total Expense	$ 709,650		$ 212,895		
11	Impact to Operating Income	$ (709,650)	$ 496,755	$ (212,895)		
12	**Rate Base**					
13	Beginning Balance	$ 3,587,410		$ 3,587,410	Schedule WMV-17	
14	Less Amortized Amount	(1,195,803)		(358,741)		Line 4
15	Ending Balance	$ 2,391,607		$ 3,228,669		
16	Average Amortized Balance	$ 2,989,508	$ 418,531	$ 3,408,040		
17	State Income Tax Rate	8.7%		8.7%		
18	Deferred State Income Tax	$ (260,087)		$ (296,499)		
19	Federal Taxable	$ 2,729,421		$ 3,111,541		
20	Federal Income Tax Rate	35%		35%		
21	Deferred Federal Income Tax	$ (955,297)		$ (1,089,039)		
22	Accumulated Deferred Income Tax	$ (1,215,385)	$ (170,154)	$ (1,385,539)		
23	Impact to Rate Base	$ 1,774,124	$ 248,377	$ 2,022,502		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.12
Adjustment 12

Delmarva Power & Light
Adjustment:
RFP Deferred Costs (Co. Adj. #17)

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	**Operating Income**					
2	Total Deferred Cost	$ 4,355,377		4,355,377	Schedule WMV-19	
3	Amortization Period	3	7	10	Schedule WMV-19	
4	Annual amortization amount	$ 1,451,792	$ (1,016,255)	$ 435,538		
5	State Income Tax Rate	8.7%		8.7%		
6	Effect on State income tax expense	$ (126,306)	$ 88,414	$ (37,892)		
7	Federal Taxable	$ 1,325,486		$ 397,646		
8	Federal Income Tax Rate	35%		35%		
9	Effect on Federal income tax expense	$ (463,920)	$ 324,744	$ (139,176)		
10	Total Expense	$ 861,566		$ 258,470		
11	Impact to Operating Income	$ (861,566)	$ 603,097	$ (258,470)		
12	**Rate Base**					
13	Beginning Balance	$ 4,355,377		$ 4,355,377	Schedule WMV-19	
14	Less Amortized Amount	(1,451,792)		(435,538)		Line 4
15	Ending Balance	$ 2,903,585		$ 3,919,839		
16	Average Amortized Balance	$ 3,629,481	$ 508,127	$ 4,137,608		
17	State Income Tax Rate	8.7%		8.7%		
18	Deferred State Income Tax	$ (315,765)		$ (359,972)		
19	Federal Taxable	$ 3,313,716		$ 3,777,636		
20	Federal Income Tax Rate	35%		35%		
21	Deferred Federal Income Tax	$ (1,159,801)		$ (1,322,173)		
22	Accumulated Deferred Income Tax	$ (1,475,565)	$ (206,581)	$ (1,682,146)		
23	Impact to Rate Base	$ 2,153,915	$ 301,548	$ 2,455,463		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.13
Adjustment 13

Delmarva Power & Light
Adjustment:
Forecasted Reliability Closings (Co. Adj. # 19)

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	**Operating Income**					
2	**Depreciation Expense**					
3	Reliability Closings 8/09-12/09	$ 346,345	(346,345)	$ -	Schedule WMV-21	
4	Retirements 8/09-12/09	(66,526)	66,526.00	-	Schedule WMV-21	
5	Adjustment to Depreciation Expense	$ 279,819	$ (279,819)	$ -		
6	State Income Tax	$ (46,459)	$ 46,459	$ -	Schedule WMV-21	
7	Deferred State Income Tax	22,114	$ (22,114)	-	Schedule WMV-21	
8	Total State and Deferred Income Tax	$ (24,345)	$ 24,345			
9	Federal Income Tax	$ (170,642)	$ 170,642	$ -	Schedule WMV-21	
10	Deferred Federal Income Tax	81,226	$ (81,226)	-	Schedule WMV-21	
11	Total Federal and Deferred Income Tax	$ (89,416)	$ 89,416			
12	Total Expense	$ 166,058		$ -		
13	Impact to Operating Income	$ (166,058)	$ 166,058	$ -		
14	**Rate Base**					
15	**Plant in Service**					
16	Reliability Closings 8/09-12/09	$ 13,219,292	(13,219,292)	$ -	Schedule WMV-21	
17	Retirements 8/09-12/09	(2,539,145)	2,539,145	-	Schedule WMV-21	
18	Adjustment to Plant in Service	$ 10,680,147	$ (10,680,147)	$ -		
19	**Depreciation Reserve**					
20	Reliability Closings 8/09-12/09	$ (2,539,145)	$ 2,539,145	$ -	Schedule WMV-21	
21	Retirements 8/09-12/09	139,910	(139,910)	-	Schedule WMV-21	
22	Adjustment to Depreciation Reserve	$ (2,399,235)	$ 2,399,235	$ -		
23	Average Deferred Taxes	$ (51,670)	$ 51,670	$ -		Average of Line 7 and 10
24	Impact to Rate Base	$ 13,027,712	$ (13,027,712)	$ -		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.14
Adjustment 14

Delmarva Power & Light
Adjustment:
Deferred AMI Costs (Co. Adj. #20)

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	**Operating Income**					
2	Total Deferred Cost	$ 1,047,163		1,047,163	Schedule WMV-20	
3	Amortization Period	3	12	15	Schedule WMV-20	
4	Annual amortization amount	$ 349,054	$ (279,243)	$ 69,811		
5	State Income Tax Rate	8.7%		8.7%		
6	Effect on State income tax expense	$ (30,368)	$ 24,294	$ (6,074)		
7	Federal Taxable	$ 318,686		$ 63,737		
8	Federal Income Tax Rate	35%		35%		
9	Effect on Federal income tax expense	$ (111,540)	$ 89,232	$ (22,308)		
10	Total Expense	$ 207,146		$ 41,429		
11	Impact to Operating Income	$ (207,146)	$ 165,717	$ (41,429)		
12	**Rate Base**					
13	Beginning Balance	$ 1,047,163		1,047,163	Schedule WMV-20	
14	Less Amortized Amount	(349,054)		(69,811)		Line 4
15	Ending Balance	$ 698,109		$ 977,352		
16	Average Amortized Balance	$ 872,636	$ 139,622	$ 1,012,258		
17	State Income Tax Rate	8.7%		8.7%		
18	Deferred State Income Tax	$ (75,919)		$ (88,066)		
19	Federal Taxable	$ 796,717		$ 924,192		
20	Federal Income Tax Rate	35%		35%		
21	Deferred Federal Income Tax	$ (278,851)		$ (323,467)		
22	Accumulated Deferred Income Tax	$ (354,771)	$ (56,763)	$ (411,534)		
22	Impact to Rate Base	$ 517,866	$ 82,859	$ 600,725		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.15
Adjustment 15

Delmarva Power & Light
Adjustment:
Wilmington Franchise Tax (Adj. #22)

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
	Particulars	**Factor**		**Factor**		
1	**Tax Rates**					
2	Federal Income Tax	0.35000		0.35000	Schedule No. 5	
3	State Income Tax	0.08700		0.08700	Schedule No. 5	
5	Regulatory Tax	0.00300		0.00300	Schedule No. 5	
6	Local Tax - City of Wilmington	0.00137	(0.00137)	0.00000	Schedule No. 5	
6						
7	**Conversion Factor**					
8	Revenue Increase	X				
9	Regulatory Tax	0.00300 X		0.00300		
10	Local Tax - City of Wilmington	0.00137 X	(0.00137)	0.00000		
11	Total Other Tax	0.00437 X		0.00300		
12	State Taxable Income	0.99563 X		0.99700		
13	State Income Tax	0.08662 X		0.08674		
14	Federal Taxable Income	0.90901 X		0.91026		
15	Federal Income Tax	0.31815 X		0.31859		
16	Total Additional Taxes	0.40915 X		0.40833		
17	Increase in Earnings (1 - additional taxes)	0.59085 X		0.59167		
18	Revenue Conversion Factor (1/Incr in Earnings)	1.69246 X	-0.00233	1.69013		
	Local Wilmington Franchise Tax	$935,641	($935,641)	$0		
	Total Delaware Retail Electric Revenue	$681,349,732	($681,349,732)	($0)		
	Local Tax Rate	0.00137		0.00000		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.15.1
Adjustment 15

Delmarva Power & Light
Twelve Months Ending March 31, 2009
Impact of Change of Revenue Conversion Factor

(in thousands)

Line	Description	Company	Proposed Adjustment	Adjusted Changes	Adjustment Reference
	(A)	(B)	(C)	(D)	(F)
1	**Total Rate Base**	$ 452,601		$ 452,601	
2	Rate of Return	7.97%		7.97%	
3	Return Requirement	$ 36,072		$ 36,072	
4	**Operating Revenues**				
5	Sale of Electricity	$ 143,656		$ 143,656	
6	Interdepartmental	19		19	
7	Other Revenues	3,139		3,139	
8	Total Operating Revenues	$ 146,815		$ 146,815	
8	**Operating Expenses**				
9	O&M Expenses	$ 88,822		$ 88,822	
10	Depreciation and Amortization	27,365		27,365	
11	Taxes Other Than Income	6,882		6,882	
12	Income Taxes and Provisions	4,088		4,088	
13	Total Expenses	$ 127,157		$ 127,157	
14	Net Operating Income Before Taxes	$ 19,658		$ 19,658	
15	AFUDC	$ 253		253	
16	Other Income and Deductions	(157)		(157)	
17	**Operating Income for ROR Calculation**	$ 19,754		$ 19,754	
18	**Income Deficiency**	$ 16,318		$ 16,318	
19	Revenue Conversion Factor	1.69246	-0.00233	1.69013	Exhibit DHM-4.15
20	**Revenue Deficiency**	$ 27,618	$ (38)	$ 27,580	
21	Revenue Deficiency Percent Change		-0.14%		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.16
Adjustment 16

Delmarva Power & Light
Adjustment:
Construction Work in Progress

Line	Description	Company Actual (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	Construction Work in Progress	$ 13,311,425	$ (13,311,425)	$ -	Schedule No. 1-B, Page 2 of 5	
2	Allowance for Funds Used During Construction	$ 253,479	$ (253,479)	$ -	Schedule No. 1-5, Page 2 of 5	

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.17
Adjustment 17

Delmarva Power & Light
Adjustment:
Interest Synchronization

Line	Description	Company Amount (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	Rate Base	$ 452,600,974	(25,495,287)	427,105,687	Schedule WMV-29	
2	Interest Component of Rate of Return	2.86%		2.66%	Schedule WMV-29	
3	Interest Attributable to Rate Base	12,944,388		11,361,011		
4	Plus Interest on Customer Deposits	338,638		338,638	Schedule WMV-29	
5	Total proforma interest	13,283,026		11,699,649		
6	Interest Expense per Book	14,036,799		14,036,799	Schedule WMV-29	
7	Adjustment to Interest Expense	(753,773)		(2,337,150)		
8	State Income Tax Rate	8.7%		8.7%		
9	Effect on State income tax expense	$ 65,578	$ 137,754	$ 203,332		
10	Federal Taxable	$ (688,195)		$ (2,133,818)		
11	Federal Income Tax Rate	35%		35%		
12	Effect on Federal income tax expense	$ 240,868	$ 505,968	$ 746,836		
13	Impact to Operating Income	$ (306,446)	$ (643,722)	$ (950,168)		
	Weighted Cost					
13	Long-Term Debt	2.86%		2.66%	Briefing Sheet	Exhibit DHM-2
14	Short-Term Debt	0.00%		0.00%		
15	Interest Component of Rate of Return	2.86%		2.66%		

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-4.18
Adjustment 18

Delmarva Power & Light
Adjustment:
Cash Working Capital (Co. Adj. # 27)

Line	Description	Company Amount (A)	Adjustment (B)	Adjusted Amount (C)	Company Reference (D)	Adjustment Reference (E)
1	Cash Working Capital	$ 239,543	$ 211,068	$ 450,611	Schedule WMV-29	Exhibit DHM-4.18.1

DELAWARE PUBLIC SERVICE COMMISSION

Delmarva Power & Light
Adjustment:
Cash Working Capital (Co. Adj. # 27)

Docket No. 09-414
Exhibit DHM-4 18.1
Adjustment 18 Workpaper

Delmarva Power & Light Company
Delaware Distribution - 12 Months Ending 3/09
Cash Working Capital - Interest Synchronization

Adj No.	Distribution	Reference	Revenue	O&M	Deprec/Amort	Other Taxes	SIT	FIT	Def Tax/ITC	Total Expense	Interest	Earnings	Check	
1	Weather Normalization	Exhibit DHM-4.1	($3,084,063)			($13,487)	($267,140)	($981,202)		($1,261,830)		($1,822,233) $	(1,822,234) $	0
2	Regulatory Commission Exp Normalization	Exhibit DHM-4.2		$226,752			($19,727)	($72,459)		$134,566		($134,566) $	(134,567) $	1
3	Injuries and Damages Exp Normalization	Unchanged		$135,111			($11,755)	($43,175)		$80,181		($80,181) $	(80,181) $	(0)
4	Uncollectible Expense Normalization	Exhibit DHM-4.3		($606,008)			$52,723	$193,650		($359,636)		$359,636 $	359,635 $	0
5	Wage and FICA Expense Adjustment	Exhibit DHM-4.4		$0		$0	$0	$0		$0		$0 $	- $	-
6	Supplmental Executive Retirement Plan (SERP)	Exhibit DHM-4.5		$0			$0	$0		$0		$0 $	-	
7	Remove Employee Association Expense	unchanged		($72,588)			$6,315	$23,195		($43,077)		$43,077 $	43,077 $	0
8	Proform Benefits Expense	Exhibit DHM-4.6		$0			$0	$0		$0		$0 $	- $	-
9	Proform OPEB Expense Adjustment	unchanged		$704,763			($61,314)	($225,207)		$418,241		($418,241) $	(418,241) $	(0)
10	Proform Pension Expense	Exhibit DHM-4.7		$4,022,412			($349,950)	($1,285,362)		$2,387,100		($2,387,100) $	(2,387,100) $	(0)
11	Remove Executive Incentive Compensation	Unchanged		($1,928,734)			$167,800	$616,327		($1,144,607)		$1,144,607 $	1,144,607 $	0
12	Remove Non-Executive Incentive Compensation	Exhibit DHM-4.8		$0			$0	$0		$0		$0 $	- $	-
13	Executive and Officer Compensation	Exhibit DHM-4.9		$1,227,740			($106,813)	($392,324)		$728,602		($728,602) $	(728,603) $	1
14	Storm Restoration Exp Normalization	Unchanged		$1,099,287			($95,638)	($351,277)		$652,372		($652,372) $	(652,372) $	0
15	Postage Expense Adjustment	Unchanged		$40,441			($3,518)	($12,923)		$24,000		($24,000) $	(24,000) $	0
16	Cost of Management Audit	Unchanged		$99,352			($8,644)	($31,748)		$58,960		($58,960) $	(58,960) $	(0)
17	Energy Expert Costs	Exhibit DHM-4.10		$807,408			($70,244)	($258,007)		$479,156		($479,156) $	(479,158) $	2
18	Amortize IRP Deferred Costs	Exhibit DHM-4.11			$358,741		($31,210)	($114,636)		$212,895		($212,895) $	(212,895) $	0
19	Reflect IRP Recurring costs	unchanged		$1,875,000			($163,125)	($599,156)		$1,112,719		($1,112,719) $	(1,112,719) $	0
20	Amortize RFP Deferred Costs	Exhibit DHM-4.12			$435,538		($37,892)	($139,176)		$258,470		($258,470) $	(258,470) $	(0)
21	Reliability Plant Closing Adjustment Apr 08 - Jul 09	Unchanged			$586,240		($51,003)	($187,333)		$347,904	($106,698)	($454,602) $	(454,602) $	(0)
22	Proform Forecasted Reliability Closings Aug 09 - Dec 09	Exhibit DHM-4.13			$0		$0	$0		$0		$0 $	- $	-
23	Amortize AMI-related Deferred Costs	Exhibit DHM-4.14			$69,811		($6,074)	($22,308)		$41,429		($41,429) $	(41,429) $	(0)
24	Amortization of Actual Refinancing Costs	Unchanged			$597,371		$0	$0	($279,241)	$318,130		($318,130) $	(318,130) $	0
25	Wilmington Franchise Tax Adjustment	Unchanged				$58,153	($5,059)	($18,583)		$34,511		($34,511) $	(34,511) $	0
26	Remove Post-80 ITC Amortization	Unchanged					$0	$0	$255,762	$255,762		($255,762) $	(255,762) $	0
27	IOCD Adjustment	Unchanged					$15,776	$57,944		$73,719	$181,328	$107,609 $	107,609 $	0
28	Recover Credit Facilities Expense	Unchanged		$132,098			($11,493)	($42,212)		$78,393		($78,393) $	(78,393) $	(0)
29	Interest Synchronization		($3,084,063)	$7,763,033	$2,047,701	$44,665	($1,057,986)	($3,885,972)	($23,479)	$4,887,962	$74,630	($7,897,394)		
30	Cash Working Capital	TJW-1 (col 7) % net lag days of 365		0.0609	0.0000	(0.0381)	0.1858	0.0370			(0.1089)			
31	Working Capital			$472,588	$0	($1,702)	($196,525)	($143,728)				$130,634		
32														
33	Interest synchronization 1						($853,611)	($3,135,302)			($2,349,146)			
34	Working capital			$472,588	$0	($1,702)	($158,561)	($115,963)			$255,896	$452,258		
35														
36	Interest synchronization 2						($853,913)	($3,136,412)			($2,345,671)			
37	Working capital			$472,588	$0	($1,702)	($158,617)	($116,004)			$255,518	$451,782		
38														
39	Interest synchronization 3						($854,657)	($3,139,146)			($2,337,116)			
40	Working capital			$472,588	$0	($1,702)	($158,756)	($116,105)			$254,586	$450,611		
41														
42														
43			**Interest Synchronization**											
44	Per Books Interest Exp (COS)		$14,036,799		$14,036,799	$14,036,799	$14,036,799							
45	Adjusted Delaware Rate Base		$426,654,671	(1)	$426,785,305	$427,106,929	$427,106,453							
46	Weighted COD (cost of debt)	DHM-2	0.0266		0.0266	0.0266	0.0266							
47	Proforma Interest		$11,349,014		$11,352,489	$11,361,044	$11,361,032							
48	Delaware IOCD (interest on customer deposits	Unchanged	338,639		$338,639	$338,639	$338,639							
49	Total Proforma Interest		$11,687,653		$11,691,128	$11,699,683	$11,699,670							
50	Difference		($2,349,146)		($2,345,671)	($2,337,116)	($2,337,129)							
51														
52	SIT @ 8.7 %		$204,376		$204,073	$203,329	$203,330							
53	FIT @ 35 %		$750,670		$749,559	$746,825	$746,830							
54														
55	**Earnings**		($955,045)		($953,633)	($950,155)	($950,160)							
						Exhibit DHM-4.1 $	(950,168)							
						Difference $	8							

(1) Without Cash Working Capital Adjustment

Per Books Rate Base	Unchanged	$417,219,455	Earnings Adj w/o Interest synch		($7,897,394)
Amortize IRP Deferred Costs	Exhibit DHM-4.11	$ 2,022,502	Earnings - per books		$31,970,781
Amortize RFP Deferred Costs	Exhibit DHM-4.12	$ 2,455,463	Sub-total Earnings		$24,073,387
Actual Reliability Closings - 4 08	Unchanged	$16,078,963			
Forecasted Reliability Closings 8	Exhibit DHM-4.13	$ -	Interest synchronization		($950,160)
Amortize AMI-related Deferred C	Exhibit DHM-4.14	$ 600,725	Total Earnings		$23,123,227
Actual Refinancings	Unchanged	$3,511,496			
Recover Credit Facilities Expens	Unchanged	$159,588			
Accrued OPEB Liability	Unchanged	($2,082,095)			
CWIP	Exhibit DHM-4.16	($13,311,425)	Check		
Total Rate Base-w/o CWC		$426,654,671		$427,106	
CWC Adjustment		$450,611			
Total Rate Base		$427,105,282			

DELAWARE PUBLIC SERVICE COMMISSION

Docket No. 09-414
Exhibit DHM-5

Delmarva Power & Light
Direct and Allocated Charges from PHI Service Company to DP&L 2006-2009

(in millions)

#	Item	2006	2007	2008	YTD Sept 2009	2009 Annualized
	(A)	(B)	(C)	(D)	(E)	(F)=(E)/9*12
1	PHI Service Company Charges to DP&L	$ 110.1	$ 117.5	$ 121.2	$ 95.5	$ 127.3
2	Total PHI Service Company Charges	$ 406.7	$ 423.5	$ 463.3	$ 356.9	$ 475.9
3	Percent of PHI Service Company Charges to DP&L	27%	28%	26%	27%	27%
4	PHI Service Company Charges to DP&L-Change from Prior Year	NA	6.7%	3.1%	NA	5.1%
5	Total PHI Service Company Charges-Change from Prior Year	NA	4.1%	9.4%	NA	2.7%
6	PHI Service Company Charges to DP&L-Change from 2006 to 2009					$ 17.2
						15.65%

Source: PSC-A-185 Attachments 1 thru 4 - Note: DP&L code 1000 and DPA-A-61

	2008	YTD Sept 2009	
Estimated charges in the test year	$ 121.2	$ 95.5	
Average charge per month	$ 10.1	$ 10.6	
# of months	9	3	
Prorated and estimated total of Service Costs	$ 90.9	$ 31.8	$ 122.7

PSC DOCKET NO. 09-414
DIVISION OF THE PUBLIC ADVOCATE'S
FIRST SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
ACCOUNTING SET I

Question No. : DPA-A-49
Please provide a copy of all contracts with consultants or other third parties for rate case services claimed in this filing

RESPONSE:

See attached.

Respondent: W. Michael VonSteuben

DPA-A-49

UTILITY RESEARCH INTERNATIONAL
Utility Financial Consultants

9 King Ave.
Jekyll Island, GA 31527

912-635-3233
404-229-2857 cell
profmorin@mac.com

September 29th, 2008

Pepco Holdings
Wilmington, DE 19899
ATT.: Gary Zibinski
Manager Financial Analysis

Dear Gary: .

Following our recent telephone and e-mail exchanges, I am delighted to serve as your expert witness in your four upcoming rate filings in Maryland, District of Columbia, New Jersey, and Delaware in 2009. It is my understanding that there are four upcoming rate filings in 2009: 1) Delmarva in Maryland, 2) PEPCO in the District of Columbia, 3) Atlantic City Electric in New Jersey, and 4) Delmarva in Delaware.

My mandate for each case would consist of submitting written and oral expert testimony on the determination of a fair and reasonable rate of return for energy distribution utility operations in each of the aforementioned jurisdictions. My normal practice is to require an all-in professional fee of $60,000 for a utility rate case. However, in view of the economics of scale involved in the four filings, professional fees for each of the four cases would total $50,000. Out of pocket expenses, including traveling, data base usage, and clerical expenses are to be reimbursed for each case, including the fourth case. The all-in fee for each case includes: review of the company's financial situation, analysis of prior relevant commission orders and policies, preparation of rate of return testimony and exhibits for the rebuttal and direct stages, responses to discovery requests, assistance to legal counsels in cross-examination and brief preparation, and testimonial time.

Should the nature of the mandate in any of the four cases be substantially augmented by unusual and extraordinary subsequent events, such as extensive formal rebuttal and surrebuttal testimonies of several witnesses or frequent cost of capital updates, a per diem fee of $2,500 would be applicable. For each case, in the eventuality of a settlement prior to formal hearings and prior to the submission of rebuttal testimony, a rebate of $10,000 is applicable. In the eventuality of a settlement prior to formal hearings but after the submission of rebuttal testimony, a rebate of $5,000 is applicable.

It is my normal practice prior to each case to require a retainer payment of roughly one half of total estimated billing inclusive of anticipated expenses prior to each individual case, or $26,000, and the balance upon the completion of the work. I estimate that the total invoice, including all expenses, would be in the range of $51,000 to $53,000 for each case, assuming no settlement.

I am delighted to serve as your expert witness in the upcoming Maryland, District of Columbia, New Jersey, and Delaware in 2009 proceedings. It is with unqualified enthusiasm that I accept this challenging task. With enthusiasm and anticipation, I look forward to working with you again and your excellent staff.

Sincerely,

Roger A. Morin

Roger A. Morin, PhD
Emeritus Professor of Finance
Professor of Finance for Regulated Industry

PSC DOCKET NO. 09-414
DIVISION OF THE PUBLIC ADVOCATE'S
FIRST SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
ACCOUNTING SET 1

Question No. : DPA-A-48
For each of the past three rate case filings, please provide: the amount of the increase requested, the percentage increase requested, the amount of increase granted, whether the case was litigated or settled, the total rate case costs incurred, and the effective date of new rates.

RESPONSE:

	Item	DPSC Docket No. 06-284 Gas Base Rate Case Filed August 31, 2006	DPSC Docket No. 05-304 Electric Base Rate Case Filed September 1, 20005	DPSC Docket No. 03-127 Gas Base Rate Case Filed March 31, 2003
(a)	Increase Requested ($000)	$14.967	$1.569*	$16.80
(b)	Percent Increase Requested	6.62%	0.2%	12.70%
(c)	Amount of Increase Granted ($000)	$9.000	$<11.103>	$7.75
(d)	Litigated or Settled	Settled	Litigated	Settled
(e)	Rate Case Costs Incurred **	$290,000	$400,000	$200,000
(f)	Effective Date of New Rates	4/1/07	5/1/06	12/10/03

* The filed increase was $5.063 million in electric rates, with a net increase of $1.569 million to distribution base rates after assigning $3.494 million in costs to the supply component of rates

** Represents best estimate of actual cost of case. Case costs not included in settlement or final decision. These costs represent incremental costs for the Commission's charges, Company consultants, lawyers, notice printing and transcripts costs.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No.: PSC-A-19
Please provide the 6 months actual + 6 months budget ending 12/09 uncollectible expense by month, showing the budget and actual for each month.

RESPONSE:

Refer to the attached.

Respondent: W. Michael VonSteuben

PSC-A-19

Delmarva Power & Light Company
Delaware Electric Distribution Uncollectible expense

Month		DE Distrib Uncoll Revenues	Accrual Rate	Uncollectible Expense	Uncoll Exp-Dist Reserve Adj		Total Unc Exp Distribution		DE Distrib Uncoll Revenues	Accrual Rate	Uncollectible Expense
April 2008	Actual	$12,134,925	0.919%	$111,520	$0		$111,520				
May 2008	Actual	$11,031,769	0.919%	$101,382	$0		$101,382				
June 2008	Actual	$12,743,418	0.919%	$117,112	$220,292	a)	$337,404				
July 2008	Actual	$14,838,084	0.919%	$136,362	$0		$136,362				
August 2008	Actual	$14,630,336	0.919%	$134,453	$0		$134,453				
September 2008	Actual	$13,456,702	0.919%	$123,667	$232,636	b)	$356,303				
October 2008	Actual	$11,873,955	0.919%	$109,122	$0		$109,122				
November 2008	Actual	$11,207,567	0.919%	$102,998	$0		$102,998				
December 2008	Actual	$13,724,119	0.919%	$126,125	$0		$126,125				
January 2009	Actual	$14,444,374	1.547%	$223,454	$0		$223,454				
February 2009	Actual	$13,400,386	1.547%	$207,304	$0		$207,304				
March 2009	Actual	$13,470,399	1.547%	$208,387	$0		$208,387				
12 m/e March 2009		$156,956,033		$1,701,885	$452,928		✓ $2,154,813				
January 2009	Actual	$14,444,374	1.547%	$223,454	$0		$223,454	Actual	$14,444,374	1.547%	$223,454
February 2009	Actual	$13,400,386	1.547%	$207,304	$0		$207,304	Actual	$13,400,386	1.547%	$207,304
March 2009	Actual	$13,470,399	1.547%	$208,387	$0		$208,387	Actual	$13,470,399	1.547%	$208,387
April 2009	Actual	$11,659,360	1.547%	$180,370	$0		$180,370	Actual	$11,659,360	1.547%	$180,370
May 2009	Actual	$10,804,533	1.547%	$167,146	$0		$167,146	Actual	$10,804,533	1.547%	$167,146
June 2009	Actual	$12,042,167	1.547%	$186,292	$0		$186,292	Actual	$12,042,167	1.547%	$186,292
July 2009	Actual	$13,129,221	1.547%	$203,109	$0		$203,109	Forecast	$17,760,000	1.547%	$274,747
August 2009	Actual	$14,166,681	1.547%	$219,159	$0		$219,159	Forecast	$17,832,000	1.547%	$275,861
September 2009	Actual	$13,317,966	1.547%	$206,029	$0		$206,029	Forecast	$14,418,000	1.547%	$223,046
October 2009	Actual	$11,353,394	1.547%	$175,637	$0		$175,637	Forecast	$12,110,000	1.547%	$187,342
November 2009	Actual	$11,105,633	1.547%	$171,804	$0		$171,804	Forecast	$12,368,000	1.547%	$191,333
December 2009								Forecast	$13,901,000	1.547%	$215,048
Total		$138,894,114		$2,148,692	$0		$2,148,692		$164,210,219		$2,540,332

a) reserve adjustment for uncollectible allowance
b) reserve adjustment related to Medical Accounts being analyzed separately

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S DATA REQUESTS TO DELMARVA POWER & LIGHT COMPANY
PENSION/OTHER POST-EMPLOYMENT BENEFITS
UNCOLLECTIBLE EXPENSE

Question No. : PSC-LA-30
Does the Company view a three-year average of uncollectibles expense as more normal and representative than a single year amount? If not, explain fully why not.

RESPONSE:
No, the Company supports the 2009 level of uncollectible expense as the amount to be used in the development of distribution rates. This would provide the level of expense most likely to occur during the rate effective period. The use of an average would not be appropriate if the trend of expense is either going up or down. In this case, the uncollectible expense has increased dramatically over the past three years.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No.: PSC-A-149
Provide the Company's actual costs for each of the last five calendar years for: a. Pension Expense b. OPEB Expense c. Uncollectible Expense

RESPONSE:

a. Refer to the response to DPA-A-29.
b. Refer to the response to DPA-A-30.
c. Refer to the response to PSC-A-20.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-A-20
Please provide the following jurisdictional data related to uncollectible accounts for 2006, 2007, 2008 and 2009 to date: a. Bad debt expense b. Bad debt write-offs c. Recovery of written-off accounts d. Billed revenues

RESPONSE:

Please see attachment.

Respondent: W. Michael VonSteuben

DOCKET NO. 09-414
DATA REQUESTS TO DELMARVA POWER & LIGHT COMPANY
FROM DELAWARE PSC STAFF
ACCOUNTING SET 1

RESONSE TO QUESTION NO. PSC -A-20

	Delaware Electric	Maryland Electric	Virginia Electric	Delmarva Power Electric
A. Bad Debt Expense (Distribution & SOS)				
2006	$ 1,698,009	$ 981,917	$ 103,166	$ 2,783,092
2007	$ 6,049,958	$ 3,906,349	$ 426,142	$ 10,382,449
2008	$ 8,722,466	$ 5,163,939	$ -	$ 13,886,405
2009 to Sept	$ 7,521,507	$ 4,142,653	$ -	$ 11,664,160
B. Bad Debt write-offs (Distribution & SOS)				
2006	$ 4,034,831	$ 2,939,844	$ 255,508	$ 7,230,183
2007	$ 7,894,529	$ 3,810,760	$ 296,155	$ 12,001,444
2008	$ 9,564,954	$ 4,698,676	$ -	$ 14,263,631
2009 to Sept	$ 6,663,755	$ 3,223,183		$ 9,886,938
C. Recovery of written off accounts (Distribution & SOS)				
2006	$ 1,715,650	$ 982,474	$ 94,344	$ 2,792,468
2007	$ 1,404,257	$ 697,074	$ 49,404	$ 2,150,734
2008	$ 1,611,395	$ 819,626	$ -	$ 2,431,021
2009 to Sept	$ 1,394,939	$ 684,971		$ 2,079,909
D. Billed Revenues (Distribution & SOS)				
2006	$ 666,617,221	$ 377,724,274	$ 41,466,056	$ 1,085,807,552
2007	$ 662,536,612	$ 417,341,123	$ 45,833,140	$ 1,125,710,875
2008	$ 681,017,996	$ 424,888,433	$ -	$ 1,105,906,429
2009 to Sept	$ 486,199,572	$ 324,913,955	$ -	$ 811,113,527

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No.: PSC- A-224
Reference: FERC Form 1 – Electric O&M

Acct #	Account Description	2008	%+/-	2007	%+/-	2006
904	Uncollectible Accounts	13,886,405	33.75%	10,382,147	273.27%	2,781,405

a. Please explain the increase from 2006 to 2007 in Account 904-Uncollectible Accounts.
b. Please explain the increase from 2007 to 2008 in Account 904-Uncollectible Accounts.
c. Please provide the monthly balances for 2006, 2007, 2008 and 2009 year to date for Account 904-Uncollectible Accounts.

RESPONSE:

a. The increase from 2006 to 2007 was primarily due to an increase in adjustments of the reserve for uncollectible accounts. Additionally, DE Standard Offer Service (SOS) began in May of 2006. There were only 8 months of accruals for uncollectible expenses charged to this account in 2006, whereas in 2007, this account included 12 months of expenses related to DE SOS. Additionally, in 2006 the company experienced some negative reserve adjustments which affected uncollectible accounts expense.

b. The increase from 2007 to 2008 was primarily due to an increase in the accruals for uncollectible accounts. In addition, in 2008 a separate reserve was created for Medical Accounts in the amount of $737,152.

c. The summary of the monthly balances for 2006, 2007, 2008, and 2009 is as follows:

	2006	2007	2008	2009	
January	593,582	413,310	902,301	1,568,181	
February	550,939	454,167	872,645	1,436,369	
March	(264,051)	453,077	2,307,744	1,345,360	= 14,153,626
April	388,216	359,321	716,699	1,119,225	
May	(78,318)	322,806	639,529	979,998	
June	(1,182,019)	2,268,677	2,334,705	1,134,057	
July	675,670	537,110	1,069,219	1,326,436	
August	712,935	474,610	1,035,136	1,437,788	
September	578,433	2,989,332	1,663,701	1,316,737	
October	419,811	366,268	738,562	N/A	
November	(84,025)	348,374	696,442	N/A	
December	470,232	1,395,095	909,722	N/A	
Total	2,781,405	10,382,147	13,886,405	11,664,151	

Respondent: Kathleen A. White

PSC DOCKET NO. 09-414
DIVISION OF THE PUBLIC ADVOCATE'S
FIRST SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
ACCOUNTING SET I

Question No. : DPA-A-25
Please fully describe any SERP benefits and quantify any SERP costs included in the Company's filing. Also describe how the Company's claim for SERP costs was determined.

RESPONSE:
For a full description of the Supplemental Executive Retirement Plans (SERP) that apply to Officers who are PHI executives are described in detail in the Executive Retirement Plan section pages 40 – 42 of the Pepco Holdings Inc. 2008 Proxy Statement which is available at the following link:
http://www.pepcoholdings.com/_res/documents/ProxyStatementand2008AnnuralReport.pdf. For the test period ended March 31, 2009, SERP costs included in the Company's Delaware Distribution cost of service operations & maintenance expenses were $612,679.

Respondent: W. Michael VonSteuben

PSC DOCKET NOS. 09-414 & 09-276T
DIVISION OF THE PUBLIC ADVOCATE'S
THIRD SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
ACCOUNTING SET 3

Question No. : DPA-A-166
Regarding WMV-9 OF Mr. VonSteuben's testimony, employee benefits, please provide the support for the increase, and explain the method of its calculation, i.e. was it based on a percentage increase, a forecast total dollar expense, other? Also, please explain when the contracts will be renewed. Include any work product or study from Lake Consulting, Inc., and any bids received from providers.

RESPONSE:
Test year expenses were adjusted to reflect projected increases in the respective benefit costs per the study by Lake Consulting (see Attachments 1 – 3). Medical costs were projected to increase by 8% while dental and vision costs were projected to increase by 5%. See the attachments for the details related to these projected benefit cost increases.

Respondent: W. Michael VonSteuben

Lake Consulting, Inc.
7200 Bradley Boulevard
Bethesda, MD 20817
301-365-1964

May 14, 2009

Dear Sir/Madam:

Here are the results of our medical trend survey for the second quarter of 2009. This represents the projected trends in use for the second quarter of 2009. Six companies in the region participated, and we thank all of them. We present the company by company results, the mean, the median, and the range of rates in each category of plan. Please note that while two companies have withdrawn from the survey, their data through the end of 2005, though hidden, will remain on the historical chart calculations.

- For this quarter, all seven categories showed changes from the mean average projected first quarter trends. POS, PPO and CDHP increased 0.2 %. Indemnity increased 0.3%. HMO increased 0.4%. Pharmacy increased 0.5%. And Dental decreased 0.1%.
- When compared to last quarter, three companies showed no changes in projected trends. One company made no change to their Dental trend and increased all other trends by 1.9%. One company increased four of their trends (HMO, POS, PPO, and CDHP) by 0.1%, increased Pharmacy by 1.1%, and made no change to Indemnity and Dental. One company made no changes to HMO and Indemnity, increased Pharmacy by 0.3%, and lowered Dental, POS, PPO and CDHP from 0.4% to 0.8%.
- The HMO second quarter 2009 mean average trend shows an increase of 0.4% over the trend for first quarter 2009. Two companies increased their HMO trend by 1.9% and 0.1%.
- The POS second quarter 2009 mean average trend shows an increase of 0.2%. Two companies increased their POS trend by 1.9% and 0.1%, and another company lowered it 0.5%.
- The PPO second quarter 2009 mean average trend also shows an increase of 0.2%. Two companies increased their POS trend by 1.9% and 0.1%, and another company lowered it 0.8%.
- The Indemnity second quarter 2009 mean average trend shows an increase of 0.3%. One company increased their Indemnity trend by 1.9%.
- The Dental second quarter 2009 mean average trend shows an decrease of 0.1%. One company made a change to their projected Dental trend rate, lowering it 0.4%.
- The Pharmacy second quarter 2009 mean average trend increased 0.5% with three companies increasing their Pharmacy trend by 1.9%, 0.3% and 1.1%.

- The Consumer Driven Health Plan second quarter 2009 mean average trend is 0.2% higher than that of first quarter 2009. Three companies made changes to their CDHP trend – two increased it 1.9% and 0.1%, and one lowered it 0.8%.
- For the second time since we began asking, we had reports of CDHP Pharmacy trends that were different from trends for CDHP base plans. Two companies in our survey reported a CDHP Pharmacy trend 1.0% higher than their CDHP base plan trend.

This quarter, the mean average projected POS and CDHP trends are the lowest medical trends at 11.0%, with POS rates ranging from 7.5% to 13.4% and CDHP rates ranging from 6.9% to 13.4%. Current HMO trends were the next lowest, 11.1%, with rates ranging from 6.5% to 13.4%. The current mean average projected PPO trend is 11.8%, with rates ranging from 8.9% to 13.4%. Current Indemnity trends were still the highest of the medical trends at 14.6%, with a range of 13.4% to 16.5%. Dental trends are lower than medical, 6.6% mean average, with a range from 5.0% to 8.0%. Pharmacy trends, at 11.7% mean average, range from 9.5% to 13.4%.

We also want to show you these trends over time, so we have summarized by type of medical plan the trends since we began this survey. You will be able to see at a glance how your plan has compared with other plans. During the forty-two quarters we have collected data (of which sixteen are displayed), we see the following increases:

- The mean average of HMO trends has increased from 5.3% to 11.1%.
- The mean average of POS trends has increased from 6.6% to 11.0%.
- The mean average of PPO trends has increased from 9.3% to 11.8%.
- The mean average of Indemnity trend has jumped to the highest it has been (14.6%) since first quarter 2006.
- The mean average of Pharmacy trends has decreased from 13.9% to 11.7%. While there were substantial trend increases during the early years of our survey, the Pharmacy trend has come back below our original survey trend levels with the steady decreases occurring nearly every quarter, although this quarter does show a 0.5% increase.

We hope you will find these results both interesting and of value. We will send another survey soon, reporting on third quarter 2009 trends. Again, we thank you for your interest.

Sincerely,

Gary D. Lake, FSA

Jon R. Jennings

Gary D. Lake, FSA
Consulting Actuary

Jon R. Jennings
Consultant

Enclosures

Participating Companies

Aetna/USHealthCare

CareFirst of Maryland

CareFirst of Washington, DC

CIGNA HealthCare, Mid Atlantic

Kaiser Foundation of the Mid-Atlantic States

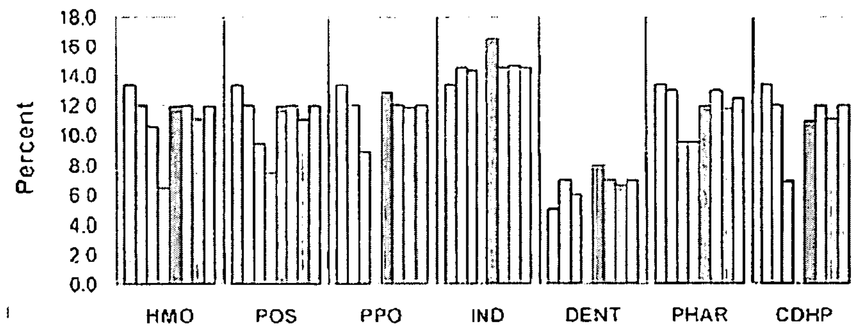
UnitedHealth Group

LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY
VA, MD, DC Area

Annual Medical Trends Being Used for 2nd Quarter, 2009

	Company C	Company D	Company E	Company F	[illegible]	Company I	Mean Avg	Median	Range of Rates Low	Range of Rates High
HMO	13.4	12.0	10.6	6.5	[illegible]	12.0	11.1	12.0	6.5	[illegible]
POS	13.4	12.0	9.4	7.5	[illegible]	12.0	11.0	12.0	7.5	[illegible]
PPO	13.4	12.0	8.9		[illegible]	12.0	11.8	12.0	8.9	[illegible]
Indemnity	13.4	14.5	14.3		[illegible]	14.5	[illegible]	14.5	13.4	[illegible]
Dental	5.0	7.0	6.0		8.8	7.0	6.5	7.0	5.0	[illegible]
Pharmacy	13.4	13.0	9.5	9.5	[illegible]	13.0	11.7	12.5	9.5	[illegible]
CDHP	13.4	12.0	6.9		[illegible]	12.0	11.0	12.0	6.9	[illegible]

2009 Medical Trends as of 2Q 2009



DPA-A-156
Attachment 3

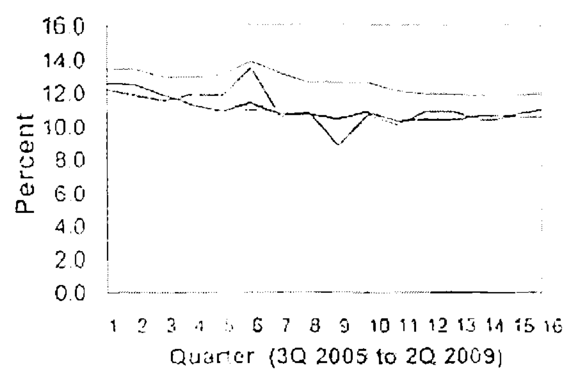
LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

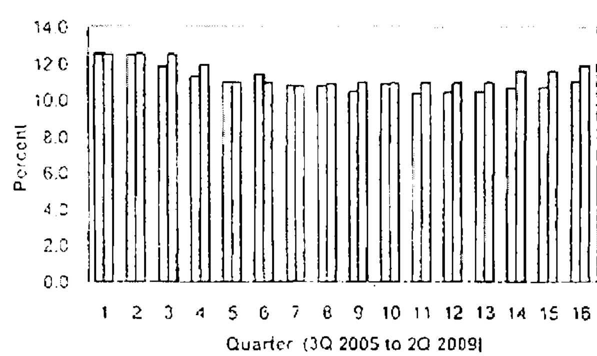
HMO Summary for 3Q 2005 to 2Q 2009

	Co. C	Co. D	[redacted]	Co. F	Co. G	Co. I	Mean Ave	Median	Range of Rates Low	Range of Rates High
3 Q 2005	12.2	[illegible]	[redacted]	11.2	[illegible]	13.0	12.6	12.6	11.2	13.8
4 Q 2005	12.2	[illegible]	[redacted]	11.2	[illegible]	13.0	12.5	12.6	11.2	13.4
1 Q 2006	12.2	[illegible]	[redacted]	8.7	[illegible]	13.0	11.9	12.6	8.7	13.0
2 Q 2006	10.6	[illegible]	[redacted]	8.7	[illegible]	12.0	11.3	12.0	8.7	12.9
3 Q 2006	10.5	[illegible]	[redacted]	8.7	[illegible]	11.0	11.0	11.0	8.7	13.1
4 Q 2006	10.6	[illegible]	[redacted]	8.7	[illegible]	11.0	11.5	11.0	8.7	13.9
1 Q 2007	10.6	[illegible]	[redacted]	8.7	[illegible]	11.0	10.9	10.8	8.7	13.2
2 Q 2007	10.6	[illegible]	[redacted]	8.7	[illegible]	11.0	10.8	11.0	8.7	12.6
3 Q 2007	11.0	[illegible]	[redacted]	8.7	[illegible]	11.0	10.5	11.0	8.7	12.6
4 Q 2007	11.5	[illegible]	[redacted]	8.7	[illegible]	11.0	10.9	11.0	8.7	12.6
1 Q 2008	11.5	[illegible]	[redacted]	6.5	[illegible]	11.0	10.4	11.0	6.5	12.1
2 Q 2008	11.5	[illegible]	[redacted]	6.5	[illegible]	11.0	10.5	11.0	6.5	11.9
3 Q 2008	11.5	[illegible]	[redacted]	6.5	[illegible]	11.0	10.5	11.0	6.5	11.9
4 Q 2008	11.5	[illegible]	[redacted]	6.5	[illegible]	12.0	10.7	11.7	6.5	12.0
1 Q 2009	11.5	[illegible]	[redacted]	6.5	[illegible]	12.0	10.7	11.7	6.5	12.0
2 Q 2009	13.4	[illegible]	[redacted]	6.5	[illegible]	12.0	11.1	12.0	5.5	13.4

Company HMO Trends
3Q 2005 to 2Q 2009



HMO Mean & Median Trends
3Q 2005 to 2Q 2009



Docket No. 09-414
Exhibit DHM-14
Page 6 of 11

DPA-A-166
Attachment 3

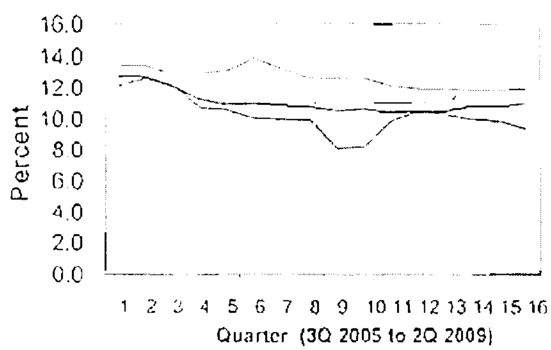
LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

POS Summary for 3Q 2005 to 2Q 2009

	Co. C	Co. D	Co. E	Co. F	Co. G	Co. I	Mean Ave	Median	Range of Rates Low	Range of Rates High
3 Q 2005	12.2	13.0	[illegible]	12.2	13.4	13.0	12.7	12.6	12.1	13.8
4 Q 2005	12.2	13.0	[illegible]	12.2	[illegible]	13.0	12.8	12.8	12.2	13.4
1 Q 2006	12.2	13.0	[illegible]	9.7	12.9	13.0	12.2	12.6	9.7	13.0
2 Q 2006	10.5	12.0	[illegible]	9.7	12.8	12.0	11.3	11.4	9.7	12.9
3 Q 2006	10.5	11.0	[illegible]	9.7	[illegible]	11.0	11.0	10.8	9.7	13.1
4 Q 2006	10.6	11.0	[illegible]	9.7	[illegible]	11.0	11.1	10.8	9.7	13.9
1 Q 2007	10.6	11.0	[illegible]	9.7	[illegible]	11.0	10.9	10.8	9.7	13.2
2 Q 2007	10.6	11.0	[illegible]	9.7	[illegible]	11.0	10.8	10.8	9.7	12.6
3 Q 2007	[illegible]	11.0	[illegible]	9.7	12.6	11.0	10.6	11.0	8.1	12.6
4 Q 2007	11.5	11.0	[illegible]	9.7	[illegible]	11.0	10.7	11.0	8.2	12.6
1 Q 2008	11.5	11.0	[illegible]	7.5	[illegible]	11.0	10.5	11.0	7.5	12.1
2 Q 2008	11.5	11.0	[illegible]	7.5	[illegible]	11.0	10.6	11.0	7.5	11.9
3 Q 2008	11.5	11.0	[illegible]	7.5	[illegible]	11.0	10.5	11.0	7.5	11.9
4 Q 2008	11.5	12.0	[illegible]	7.5	[illegible]	12.0	10.8	11.7	7.5	12.0
1 Q 2009	11.5	12.0	[illegible]	7.5	[illegible]	12.0	10.8	11.7	7.5	12.0
2 Q 2009	13.4	12.0	[illegible]	7.5	[illegible]	12.0	11.0	12.0	7.5	13.4

Company POS Trends
3Q 2005 to 2Q 2009



POS Mean & Median Trends
3Q 2005 to 2Q 2009

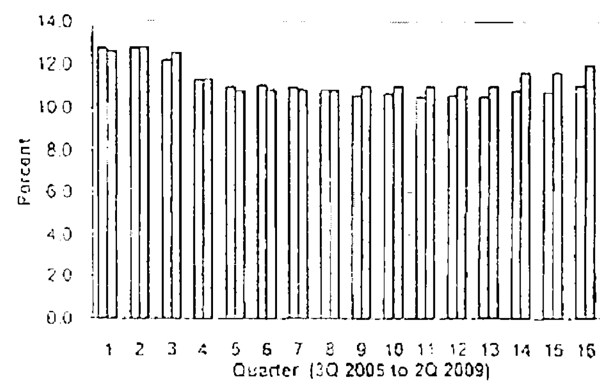


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Exhibit DHM-14
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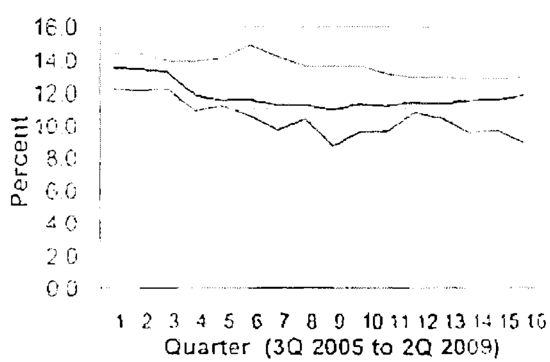
LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

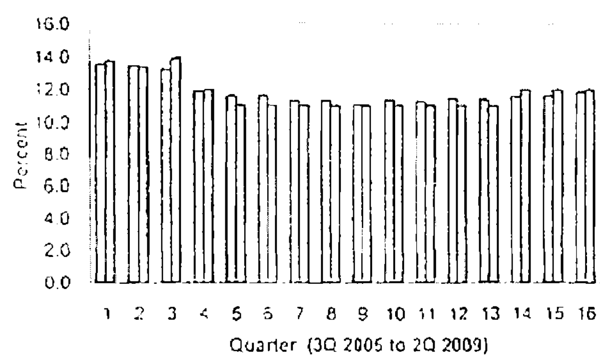
PPO Summary for 3Q 2005 to 2Q 2009

	Co. C	Co. D	Co. E	Co. F	Co. G	Co. I	Mean Ave	Median	Range of Rates Low	Range of Rates High
3 Q 2005	12.2	15.0	[redacted]		[illegible]	15.0	13.5	13.8	12.2	15.0
4 Q 2005	12.2	15.0	[redacted]		[illegible]	15.0	13.5	13.4	12.1	15.0
1 Q 2006	12.2	14.0	[redacted]		[illegible]	14.0	13.3	13.9	12.2	14.0
2 Q 2006	10.5	12.0	[redacted]		[illegible]	12.0	11.9	12.0	10.5	13.9
3 Q 2006	10.5	11.0	[redacted]		[illegible]	11.0	11.6	11.0	10.5	14.1
4 Q 2006	10.6	11.0	[redacted]		[illegible]	11.0	11.6	11.0	10.6	14.9
1 Q 2007	10.6	11.0	[redacted]		[illegible]	11.0	11.3	11.0	9.7	14.2
2 Q 2007	10.6	11.0	[redacted]		[illegible]	11.0	11.3	11.0	10.4	13.6
3 Q 2007	11.0	11.0	[redacted]		[illegible]	11.0	11.1	11.0	8.7	13.6
4 Q 2007	11.5	11.0	[redacted]		[illegible]	11.0	11.3	11.0	9.6	13.6
1 Q 2008	11.5	11.0	[redacted]		[illegible]	11.0	11.2	11.0	9.6	13.1
2 Q 2008	11.5	11.0	[redacted]		[illegible]	11.0	11.4	11.0	10.8	12.9
3 Q 2008	11.5	11.0	[redacted]		[illegible]	11.0	11.4	11.0	10.4	12.9
4 Q 2008	11.5	12.0	[redacted]		[illegible]	12.0	11.6	12.0	9.5	12.8
1 Q 2009	11.5	12.0	[redacted]		[illegible]	12.0	11.6	12.0	9.7	12.8
2 Q 2009	13.4	12.0	[redacted]		[illegible]	12.0	11.8	12.0	8.9	13.4

Company PPO Trends
3Q 2005 to 2Q 2009



PPO Mean & Median Trends
3Q 2005 to 2Q 2009



DPA-A-165
Attachment 3

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Exhibit DHM-14
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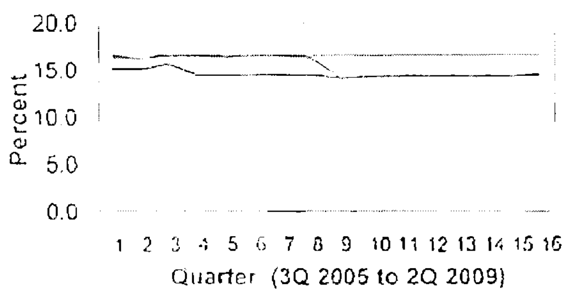
LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

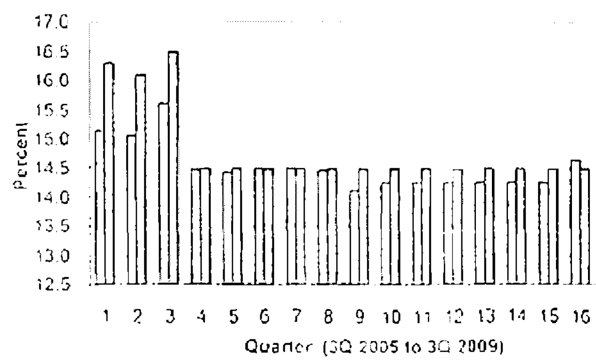
Indemnity Summary for 3Q 2005 to 2Q 2009

	Co. C	Co. D	[redacted]	Co. F	Co. G	Co. I	Mean Ave	Median	Range of Rates Low	High
3 Q 2005	12.2	17.5	[redacted]		[illegible]	17.5	15.1	16.3	12.2	17.5
4 Q 2005	12.2	17.5			[illegible]	17.5	15.1	16.1	12.2	17.5
1 Q 2006	12.2	16.5			[illegible]	16.5	15.6	16.5	12.2	16.5
2 Q 2006	10.5	14.5			[illegible]	14.5	14.5	14.5	10.5	16.5
3 Q 2006	10.5	14.5			[illegible]	14.5	14.4	14.5	10.5	16.5
4 Q 2006	10.5	14.5			[illegible]	14.5	14.5	14.5	10.6	16.5
1 Q 2007	10.6	14.5			[illegible]	14.5	14.5	14.5	10.6	16.5
2 Q 2007	10.6	14.5			[illegible]	14.5	14.5	14.5	10.6	16.5
3 Q 2007	11.0	14.5			[illegible]	14.5	14.1	14.5	11.0	16.5
4 Q 2007	11.5	[illegible]			[illegible]	14.5	14.3	14.5	11.5	16.5
1 Q 2008	11.5	14.5			[illegible]	14.5	14.3	14.5	11.5	16.5
2 Q 2008	11.5	14.5			[illegible]	14.5	14.3	14.5	11.5	16.5
3 Q 2008	11.5	14.5			[illegible]	14.5	14.3	14.5	11.5	16.5
4 Q 2008	11.5	14.5			[illegible]	14.5	14.3	14.5	11.5	16.5
1 Q 2009	11.5	14.5			[illegible]	14.5	14.3	14.5	11.5	16.5
2 Q 2009	13.4	14.5			[illegible]	14.5	14.6	14.5	13.4	16.5

Company Indemnity Trends
3Q 2005 to 2Q 2009



Indemnity Mean & Median Trends
3Q 2005 to 2Q 2009



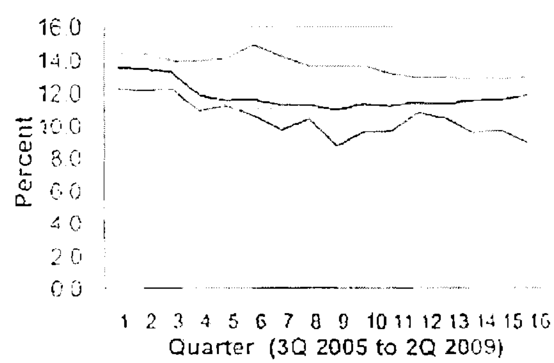
LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

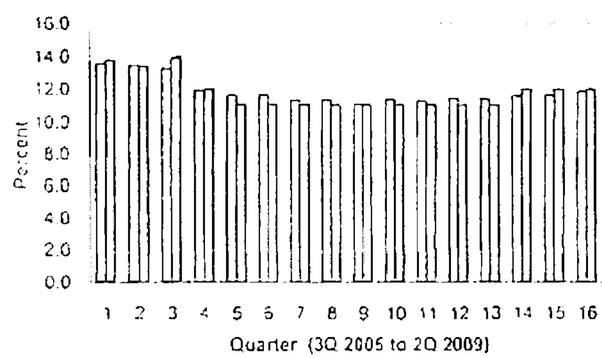
PPO Summary for 3Q 2005 to 2Q 2009

	Co. C	Co. D	[redacted]	Co. F	Co. G	Co. I	Mean Ave	Median	Range of Rates Low	Range of Rates High
3 Q 2005	12.2	15.0	[redacted]		[illegible]	15.0	13.5	13.8	12.2	15.0
4 Q 2005	12.2	15.0	[redacted]		[illegible]	15.0	13.5	13.4	12.1	15.0
1 Q 2006	12.2	14.0	[redacted]		[illegible]	14.0	13.3	13.9	12.2	14.0
2 Q 2006	10.5	12.0	[redacted]		[illegible]	12.0	11.9	12.0	10.5	13.9
3 Q 2006	10.5	11.0	[redacted]		[illegible]	11.0	11.6	11.0	10.5	14.1
4 Q 2006	10.6	11.0	[redacted]		[illegible]	11.0	11.6	11.0	10.6	14.9
1 Q 2007	10.6	11.0	[redacted]		[illegible]	11.0	11.3	11.0	9.7	14.2
2 Q 2007	10.6	11.0	[redacted]		[illegible]	11.0	11.3	11.0	10.4	13.6
3 Q 2007	11.0	11.0	[redacted]		[illegible]	11.0	11.1	11.0	8.7	13.6
4 Q 2007	11.5	11.0	[redacted]		[illegible]	11.0	11.3	11.0	9.6	13.6
1 Q 2008	11.5	11.0	[redacted]		[illegible]	11.0	11.2	11.0	9.6	13.1
2 Q 2008	11.5	11.0	[redacted]		[illegible]	11.0	11.4	11.0	10.8	12.9
3 Q 2008	11.5	11.0	[redacted]		[illegible]	11.0	11.4	11.0	10.4	12.9
4 Q 2008	11.5	12.0	[redacted]		[illegible]	12.0	11.6	12.0	9.5	12.8
1 Q 2009	11.5	12.0	[redacted]		[illegible]	12.0	11.6	12.0	9.7	12.8
2 Q 2009	13.4	12.0	[redacted]		[illegible]	12.0	11.8	12.0	8.9	13.4

Company PPO Trends
3Q 2005 to 2Q 2009



PPO Mean & Median Trends
3Q 2005 to 2Q 2009



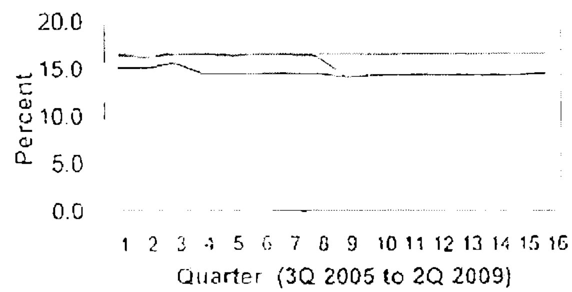
LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

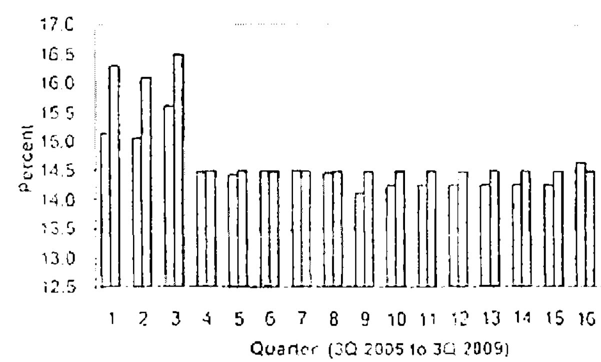
Indemnity Summary for 3Q 2005 to 2Q 2009

	Co. C	Co. D	Co. E	Co. F	Co. G	Co. I	Mean Ave	Median	Range of Rates Low	Range of Rates High
3 Q 2005	12.2	17.5	[illegible]		[illegible]	17.5	15.1	16.3	12.2	17.5
4 Q 2005	12.2	17.5	[illegible]		16.5	17.5	15.1	16.1	12.2	17.5
1 Q 2006	12.2	16.5	[illegible]		16.5	16.5	15.6	16.5	12.2	16.5
2 Q 2006	10.5	14.5	[illegible]		16.5	14.5	14.5	14.5	10.5	16.5
3 Q 2006	10.5	14.5	[illegible]		16.5	14.5	14.4	14.5	10.5	16.5
4 Q 2006	10.6	14.5	[illegible]		16.5	14.5	14.5	14.5	10.6	16.5
1 Q 2007	10.6	14.5	[illegible]		[illegible]	14.5	14.5	14.5	10.6	16.5
2 Q 2007	10.6	14.5	[illegible]		[illegible]	14.5	14.5	14.5	10.6	16.5
3 Q 2007	11.0	14.5	[illegible]		[illegible]	14.5	14.1	14.5	11.0	16.5
4 Q 2007	11.5	14.5	[illegible]		[illegible]	14.5	14.3	14.5	11.5	16.5
1 Q 2008	11.5	14.5	[illegible]		[illegible]	14.5	14.3	14.5	11.5	16.5
2 Q 2008	11.5	14.5	[illegible]		[illegible]	14.5	14.3	14.5	11.5	16.5
3 Q 2008	11.5	14.5	[illegible]		[illegible]	14.5	14.3	14.5	11.5	16.5
4 Q 2008	11.5	14.5	[illegible]		[illegible]	14.5	14.3	14.5	11.5	16.5
1 Q 2009	11.5	14.5	[illegible]		[illegible]	14.5	14.3	14.5	11.5	16.5
2 Q 2009	13.4	14.5	[illegible]		[illegible]	14.5	14.6	14.5	13.4	16.5

Company Indemnity Trends
3Q 2005 to 2Q 2009



Indemnity Mean & Median Trends
3Q 2005 to 2Q 2009



DPA-A-166
Attachment 3

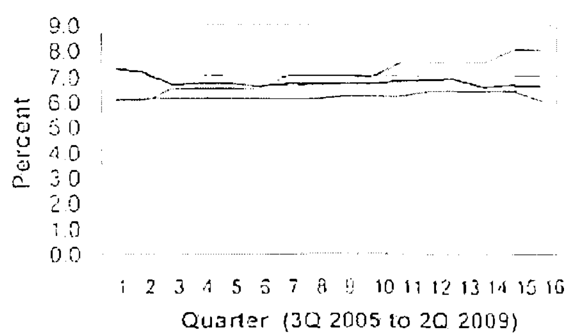
LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

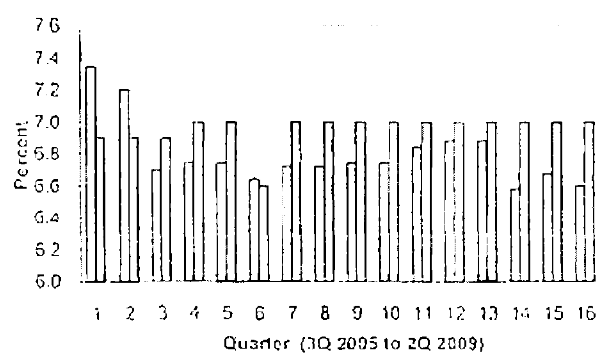
Dental Summary for 3Q 2005 to 2Q 2009

	Co. C	Co. D	[illegible]	Co. F	Co. G	Co. I	Mean Ave	Median	Range of Rates Low	Range of Rates High
3 Q 2005	6.9	7.0	[illegible]		[illegible]	7.0	7.3	6.9	6.0	11.5
4 Q 2005	6.9	7.0	[illegible]		[illegible]	7.0	7.2	6.9	6.0	10.5
1 Q 2006	6.9	7.0	[illegible]		6.5	7.0	6.7	6.9	6.1	7.0
2 Q 2006	7.1	7.0	[illegible]		6.5	7.0	6.7	7.0	6.1	7.1
3 Q 2006	7.1	7.0	[illegible]		[illegible]	7.0	6.7	7.0	6.1	7.1
4 Q 2006	6.6	7.0	[illegible]		[illegible]	7.0	6.6	6.8	6.1	7.0
1 Q 2007	6.5	7.0	[illegible]		[illegible]	7.0	6.7	7.0	6.1	7.0
2 Q 2007	6.5	7.0	[illegible]		7.0	7.0	6.7	7.0	6.1	7.0
3 Q 2007	6.5	7.0	[illegible]		[illegible]	7.0	6.7	7.0	6.2	7.0
4 Q 2007	6.5	7.0	[illegible]		[illegible]	7.0	6.7	7.0	6.2	7.0
1 Q 2008	6.5	7.0	[illegible]		[illegible]	7.0	6.8	7.0	6.2	7.5
2 Q 2008	6.5	7.0	[illegible]		[illegible]	7.0	6.9	7.0	6.4	7.5
3 Q 2008	6.5	7.0	[illegible]		[illegible]	7.0	6.9	7.0	6.4	7.5
4 Q 2008	5.0	7.0	[illegible]		7.5	7.0	6.6	7.0	5.0	7.5
1 Q 2009	5.0	7.0	[illegible]		8.0	7.0	6.7	7.0	5.0	8.0
2 Q 2009	5.0	7.0	[illegible]		[illegible]	7.0	6.6	7.0	5.0	8.0

Company Dental Trends
3Q 2005 to 2Q 2009



Dental Mean & Median Trends
3Q 2005 to 2Q 2009



DPA-A-166
Attachment 3

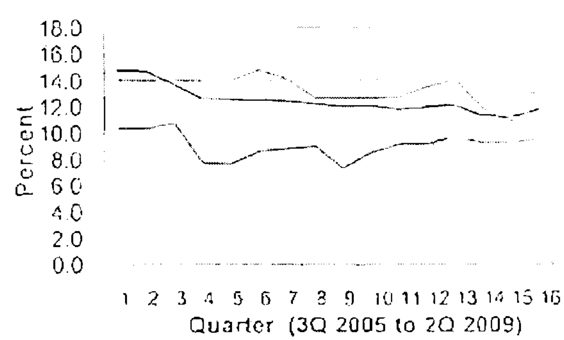
LAKE CONSULTING, INC.
QUARTERLY MEDICAL TREND SURVEY

VA, MD, DC Area

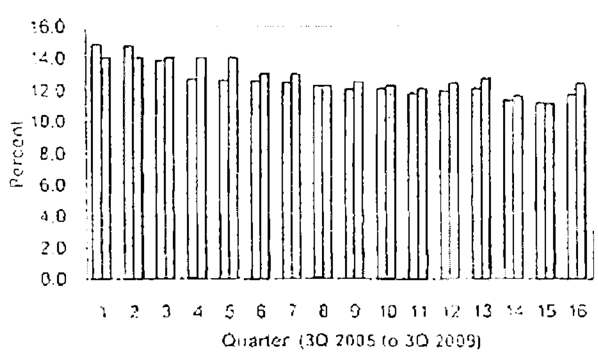
Pharmacy Summary for 3Q 2005 to 2Q 2009

	Co. C	Co. D	Co. E	Co. F	Co. G	Co. I	Mean Ave	Median	Range of Rates Low	Range of Rates High
3 Q 2005	14.0	17.0	[illegible]	14.0	14.6	17.0	14.9	14.0	10.3	18.5
4 Q 2005	14.0	17.0	[illegible]	14.0	[illegible]	17.0	14.8	14.0	10.3	17.9
1 Q 2006	14.0	16.0	[illegible]	12.0	14.0	16.0	13.8	14.0	10.7	16.0
2 Q 2006	14.5	14.0	[illegible]	12.0	[illegible]	14.0	12.7	14.0	7.7	14.5
3 Q 2006	14.0	14.0	[illegible]	12.0	[illegible]	14.0	12.6	14.0	7.6	14.0
4 Q 2006	12.0	14.0	[illegible]	12.0	[illegible]	14.0	12.6	13.0	8.6	14.8
1 Q 2007	12.0	14.0	[illegible]	12.0	[illegible]	14.0	12.5	13.0	8.8	14.1
2 Q 2007	12.0	14.0	[illegible]	12.0	[illegible]	14.0	12.3	12.3	9.0	14.0
3 Q 2007	12.5	14.0	[illegible]	12.0	[illegible]	14.0	12.1	12.6	7.3	14.0
4 Q 2007	11.5	14.0	[illegible]	12.0	[illegible]	14.0	12.1	12.3	6.5	14.0
1 Q 2008	11.5	14.0	[illegible]	9.5	[illegible]	14.0	11.8	12.1	9.1	14.0
2 Q 2008	11.5	14.0	[illegible]	9.5	[illegible]	14.0	11.9	12.5	9.1	14.0
3 Q 2008	11.5	14.0	[illegible]	9.5	[illegible]	14.0	12.1	12.8	9.5	14.0
4 Q 2008	11.5	13.0	[illegible]	9.5	[illegible]	13.0	11.3	11.7	9.2	13.0
1 Q 2009	11.5	13.0	[illegible]	9.5	[illegible]	13.0	11.2	11.2	9.2	13.0
2 Q 2009	13.4	13.0	[illegible]	9.5	[illegible]	13.0	11.7	12.5	9.5	13.4

Company Pharmacy Trends
3Q 2005 to 2Q 2009



Pharmacy Mean & Median Trends
3Q 2005 to 2Q 2009



Docket No. 09-414
Exhibit DHM-14
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PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-A-54
Please explain, in detail, whether or not any changes to the Company's medical, dental and vision plans were taken into consideration in deriving the 2009 inflation factor amounts shown in Adjustment 7 (WMV-9). If not, explain in detail why not. If yes, show how the impact was incorporated in the inflation factors.

RESPONSE:
Although there have been some modifications to the benefit design, these changes were not expected to significantly impact utilization patterns. As such, the trend assumptions have not been adjusted.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414
DIVISION OF THE PUBLIC ADVOCATE'S
FIRST SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
ACCOUNTING SET I

Question No. : DPA-A-35
Please identify the amount that employees contribute to their health care costs and state how that amount is determined.

RESPONSE:

Members of Local 1238 and Local 1307 currently contribute 18% of the cost of medical and mental health/substance abuse benefits as negotiated in their union agreement. This will increase to a 20% cost share in 2010. Management employees currently contribute 17.5% and 18.3 % toward the PHI PPO and PHI HMO plans (including prescription), respectively. These amounts are determined annually by the Company's executive leadership based on a recommendation from the Benefits Team.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414
DIVISION OF THE PUBLIC ADVOCATE'S
FIRST SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
ACCOUNTING SET I

Question No.: DPA-A-38
Please describe any changes in benefits offered to a) officers or b) employees in any of the past 5 years or projected for the future.

RESPONSE:
The Company redesigned the benefit plans offered to management employees in 2005. This included the implementation of a PPO and HMO with increased deductibles and co-pays, prescription coinsurance, and the elimination of subsidized retiree medical for new hires after January 1, 2005. In addition, PHI has increased employee contributions for management employees toward the goal of 80-20 cost share. Effective January 1, 2005, the Company also implemented retiree medical cost caps for management and Local 1900 employees.

Management new hires after 1/1/05 are participants in the new PHI Retirement Sub-Plan.

The benefits for Local 1238 and Local 1307 employees were modified as a result of their current union contracts. The changes included increased prescription co-pays and plan deductibles over the term of the contracts, as well as mandatory mail order in the prescription plan.

Plan changes for 2010 include vendor consolidation and the elimination of the Company's fully insured HMO plans. In addition, management employees will have increased medical plan co-pays, an increased prescription out-of-pocket maximum and mandatory mail order.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414
DIVISION OF THE PUBLIC ADVOCATE'S
FIRST SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
ACCOUNTING SET 1

Question No.: DPA-A-21
Please provide a description of all incentive compensation programs provided to employees. For each program, please provide a) a description of the program, b) the amount included in the Company's expense and capital claim, and c) the actual amount incurred in each of the past five years.

RESPONSE:
For a description of incentive compensation programs provided to employees, please see attachment. Non-executive compensation included in the Company's claim was $2,159,153. Actual amounts incurred in each of the past five years:

2004	2005	2006	2007	2008
$1,402,287	$1,761,167	$303,944	$1,729,951	$2,442,611

Revised Response 01/19/10

Respondent: W. Michael VonSteuben

Pepco Holdings, Inc.

2009
Annual Incentive Plan

An Overview of the Annual Incentive Plan (AIP)

The purpose of the AIP is to monetarily recognize eligible management employees who achieve or exceed pre-established annual goals that are crucial to the improved performance of the employee's Team and PHI as a whole. Employees have an opportunity to earn awards for the performance and results they help to achieve.

Earning awards is intended to be challenging. PHI has established goals that must be met in order to enhance our competitiveness as a company within our industry. Specific, measurable goals provide a clear line of sight linking work results to important financial, customer and employee strategic objectives.

Many high-performing companies use incentive pay in combination with base pay to drive the performance and results essential to their success. As PHI strives to be competitive, we are including both base pay and incentive pay as part of our total market-based pay program.

Incentive pay does not become part of an employee's base pay; it must be earned every year by meeting stretch goals for that year. Teamwork will always be a key factor in earning awards.

Plan Year

The Plan Year is January 1 to December 31.

Eligibility

All PHI management employees who do not participate in any other incentive plan are eligible to participate in the AIP (excluding PES and CES employees). New hires must be employed and actively at work before October 1 of the plan year in order to be eligible for that year. Part Time management employees, in addition to being employed and actively at work before October 1 must also have a regular schedule of at least 20 hours per week in order to be a participant in the plan. Awards for new hires are prorated based on the amount of time an employee is employed during the year. For example, an employee hired on April 1 and who is still employed on December 31 would be eligible for an award based on nine months of employment.

Performance Measures

Performance will be measured at the Business Unit level only and is based on the 2009 Executive Incentive Plan. For Utility Operations employees, the Utility Operations' earnings must reach a 93% threshold to qualify for any potential payout. Potential payout for Corporate Services employees is based on an overall corporate earnings threshold of 90%. The plan is intended to support the PHI WAY and PHI's Blueprint for the Future and align employees with key business goals and executive area balanced scorecards.

Target Awards

A position's pay grade and salary determines the target award. Target awards will range from 5% to 15% percent of base pay. Target awards are higher for higher grades due to the greater scope and responsibility of positions at higher levels and their potential impact on results.

A target award is expressed as a percent of base salary. The target awards are market based.

Pay Grade	Target Award (% of base pay)
15 – 16	15%
13 – 14	12%
11 – 12	10%
8 – 10	8%
5 – 7	6%
1 – 4	5%

Rewarding Exceptional Results

The actual award potential will range from zero to a maximum of 150% of target award level depending on performance at the Business Unit level. Awards can exceed 100% of the targets only for truly exceptional results that are documented.

Award Calculation Using "Multipliers"

At year's end, the Company will assess performance results and assign scores that equate to Business Unit "multipliers" that can be as high as 150% of target award level. The multipliers are used to mathematically determine the actual award payment as follows:

Business Unit Performance Multiplier	x	Individual AIP Award Percent	x	Employee's Base Salary	=	Annual Incentive Plan Payout

Business Unit Goals

- Business Unit performance goals are weighted as follows:

  (1) 50% for the PHI Balanced Scorecard (based on the Utility Operations Balanced Scorecard)

  (2) 50% for the Executive Area Balanced Scorecard

Business Unit Goals (continued)

(3) 25% for the Group Balanced Scorecard (Optional)
(If used, the Executive Area weight reduces to 25%)

The formula for Corporate Services employees is:
[50% (Utility BSC x 80% + Competitive BSCs x 20%) + 50% Executive Area BSC (Tier 2 = 25% + Tier 3 = 25% where applicable)] x Salary x AIP Percent

Award Payment

- The target award will be calculated using the employee's base salary in effect on the last day of the plan year unless the employee receives a promotion or salary adjustment during the plan year. In those instances the award will be prorated. (See bullet 6).

- The target award for part-time employees will be calculated using the employee's base earnings during the part-time status.

- The award will be paid following the end of the plan year and generally is paid sometime in March. Awards are subject to federal, state and local taxes, as required by law.

- If an employee terminates employment after the plan year ends, but before the award payout is made, he/she will still receive the award.

- Each employee will receive an individual payout sheet that shows how his/her award was calculated and the associated Business Unit multipliers used in the calculation.

- In certain situations, awards will be prorated:

  - If an employee changes pay grades during the plan year and becomes eligible for a different target incentive award, the award will be prorated according to the number of days spent in each grade and the salary associated with the grade for that time period.

  - If an employee transfers from one Business Unit to another Business Unit during the year, the award he/she receives will be prorated according to the number of days spent in each Business Unit and the associated salary during the time spent in each Business Unit.

  - If an employee changes status from full-time to part-time or vice versa during the year, the award will be prorated according to the number of days spent in the part-time status and the number of days spent in the full-time status. The prorated award will use the base earnings during the part-time status for the part-time piece and the salary during the full-time status for the full-time piece of the calculation.

  - When a bargaining unit employee is transferred to a management position or vice versa the award is prorated based on the employee's transfer date.

Award Payment (continued)

- If the employee is a management new hire who is eligible for the plan and was actively at work prior to October 1 of the plan year, the award is prorated based on the number of days employed by the Company.

- In cases of death, long-term disability or retirement, awards are prorated based on the number of days that the Incentive Plan participant was an active employee during the plan year.

- If the employee is absent from work for more than 20 consecutive days in a paid or unpaid status (with the exception of vacation and floating holidays), the award is prorated based on the number of days actively at work during the plan year. The paid or unpaid leave status includes illness, FMLA, military leave, workers' compensation, approved and unapproved absences, suspensions and jury duty.

- No award payment will be made in any of the following situations:

  - When the employee's overall individual annual performance rating is a 1 (Unsatisfactory) in the Performance Accountability System (PAS). In addition, a rating of 2 (Performance Improvement Needed) for two consecutive years is not eligible for an award (starting with the 2005 performance year).

  - When the employee terminates employment (for reasons other than death, disability or retirement) before the end of the plan year. In addition, a prorated award will not be paid if an employee retires from a severance leave of absence.

Reporting Results

- Business Unit Goals

  Business Unit leaders will report results to People Strategy & HR and to eligible employees quarterly.

  - Business Unit leaders should publish a report for their management employees discussing Business Unit goal results.

  - Business Unit leaders should report on:
    - Progress or problems regarding each Business Unit goal
    - Each Business Unit goal's performance result and multiplier
    - The composite Business Unit multiplier based on each goal's weighting factor

Continuation of the Plan

The Company may continue, terminate or adjust the Plan at any time.

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Exhibit DHM-19
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Current Labor Force Statistics

Current labor force statistics including the unemployment rate for Delaware and local areas (January 2009 - December 2009).

Local Area Unemployment Statistics

Delaware Unemployment Statistics
Seasonally Adjusted

Year	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
Period	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Labor Force	439,918	440,145	436,166	438,347	437,897	437,327	433,983	432,824	431,321	428,357	426,713	426,639
Employment	410,307	407,874	402,851	405,892	402,344	400,713	398,741	398,105	395,633	391,597	390,166	388,452
Unemployment	29,611	32,271	33,315	32,455	35,553	36,614	35,242	34,719	35,688	36,760	36,547	38,187
Unemployment Rate (%)	6.7	7.3	7.6	7.4	8.1	8.4	8.1	8.0	8.3	8.6	8.6	9.0

Delaware Unemployment Statistics
Not Seasonally Adjusted

Year	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
Period	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Labor Force	438,862	438,120	435,449	437,706	435,750	441,004	438,970	435,317	426,456	427,497	426,571	426,638
Employment	406,810	403,530	401,164	405,278	401,940	402,940	403,194	400,402	391,663	391,248	392,175	389,889
Unemployment	32,052	34,590	34,285	32,428	33,810	38,064	35,776	34,915	34,793	36,249	34,396	36,749
Unemployment Rate (%)	7.3	7.9	7.9	7.4	7.8	8.6	8.1	8.0	8.2	8.5	8.1	8.6

Wilmington MSA Unemployment Statistics
Not Seasonally Adjusted

Year	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
Period	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Labor Force	358,565	357,479	355,485	355,645	352,997	353,380	351,437	348,192	343,635	346,863	347,293	347,824
Employment	331,626	328,048	326,655	327,798	323,504	320,530	320,137	317,657	313,767	316,172	318,116	317,135
Unemployment	26,939	29,431	28,830	27,847	29,493	32,850	31,300	30,535	29,868	30,691	29,177	30,689
Unemployment Rate (%)	7.5	8.2	8.1	7.8	8.4	9.3	8.9	8.8	8.7	8.8	8.4	8.8

Kent County (Dover MSA) Unemployment Statistics
Not Seasonally Adjusted

Year	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
Period	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Labor Force	73,574	73,524	73,549	73,857	73,294	74,168	73,146	72,541	71,283	71,790	71,563	71,590
Employment	68,252	67,831	67,575	68,389	67,623	67,761	67,205	66,650	65,695	65,902	66,149	65,726
Unemployment	5,322	5,693	5,974	5,468	5,671	6,407	5,941	5,891	5,588	5,888	5,414	5,864
Unemployment Rate (%)	7.2	7.7	8.1	7.4	7.7	8.6	8.1	8.1	7.8	8.2	7.6	8.2

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New Castle County Unemployment Statistics
Not Seasonally Adjusted

Year	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
Period	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Labor Force	275,721	274,993	273,107	273,501	270,671	271,275	269,798	267,327	263,864	266,580	266,573	266,841
Employment	256,599	253,954	252,447	253,334	249,417	247,005	246,574	244,852	241,317	243,648	245,286	244,575
Unemployment	19,122	21,039	20,660	20,167	21,254	24,270	23,224	22,475	22,547	22,932	21,287	22,266
Unemployment Rate (%)	6.9	7.7	7.6	7.4	7.9	8.9	8.6	8.4	8.5	8.6	8.0	8.3

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Sussex County Unemployment Statistics
Not Seasonally Adjusted

Year	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
Period	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Labor Force	89,568	89,603	88,793	90,349	91,785	95,561	96,027	95,449	91,309	89,128	88,435	88,207
Employment	81,959	81,745	81,142	83,556	84,900	88,174	89,416	88,900	84,650	81,699	80,740	79,588
Unemployment	7,609	7,858	7,651	6,793	6,885	7,387	6,611	6,549	6,659	7,429	7,695	8,619
Unemployment Rate (%)	8.5	8.8	8.6	7.5	7.5	7.7	6.9	6.9	7.3	8.3	8.7	9.8

Wilmington (City) Unemployment Statistics
Not Seasonally Adjusted

Year	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
Period	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Labor Force	33,001	32,842	32,653	32,775	32,554	32,733	32,746	32,402	32,087	32,447	32,283	32,303
Employment	29,685	29,379	29,205	29,308	28,854	28,575	28,526	28,326	27,917	28,187	28,377	28,294
Unemployment	3,316	3,463	3,448	3,467	3,700	4,158	4,220	4,076	4,170	4,260	3,906	4,009
Unemployment Rate (%)	10.0	10.5	10.6	10.6	11.4	12.7	12.9	12.6	13.0	13.1	12.1	12.4

Newark (City) Unemployment Statistics
Not Seasonally Adjusted

Year	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
Period	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Labor Force	15,362	15,248	15,150	15,210	15,141	15,334	15,037	14,963	14,738	14,965	14,861	14,756
Employment	14,687	14,536	14,450	14,501	14,276	14,138	14,114	14,015	13,813	13,946	14,040	13,999
Unemployment	675	712	700	709	865	1,196	923	948	925	1,019	821	757
Unemployment Rate (%)	4.4	4.7	4.6	4.7	5.7	7.8	6.1	6.3	6.3	6.8	5.5	5.1

Dover (City) Unemployment Statistics
Not Seasonally Adjusted

Year	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009	2009
Period	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Labor Force	16,759	16,720	16,726	16,853	16,815	17,064	16,815	16,646	16,328	16,480	16,368	16,344
Employment	15,482	15,386	15,328	15,513	15,339	15,370	15,244	15,118	14,902	14,949	15,005	14,909
Unemployment	1,277	1,334	1,398	1,340	1,476	1,694	1,571	1,528	1,426	1,531	1,363	1,435
Unemployment Rate (%)	7.6	8.0	8.4	8.0	8.8	9.9	9.3	9.2	8.7	9.3	8.3	8.8

The underlying data for the table(s) are available for download by clicking on the download link above. The download will be in Microsoft Excel format, comma delimited.

NOTE: Do to certain browser and resolution settings the table(s) below may appear to scroll.

Source: Delaware Department of Labor, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Delaware Annual Economic Report 2008

written by
George Sharpley, Ph.D.
Labor Market Economist

Office of Occupational and Labor Market Information
Delaware Department of Labor
30 June 2009

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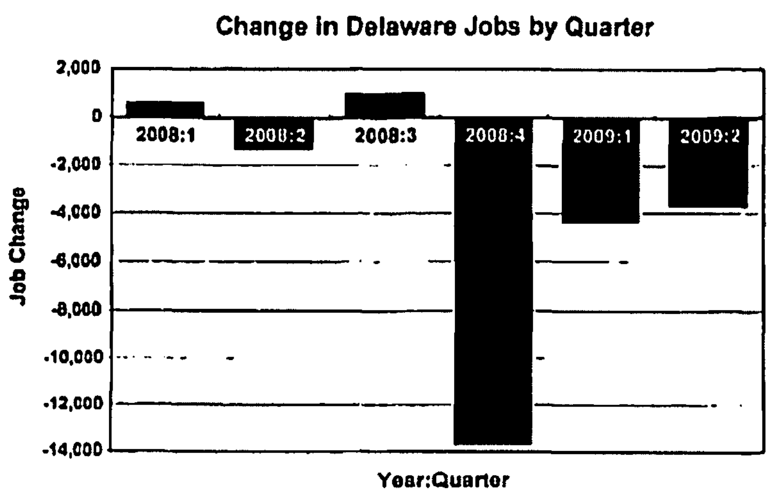
2008 State Economic Overview

The current economy, in both Delaware and the nation, is the worst in several generations. The most recent period comparable for job losses was the mid-1970's. The state lost almost 10,000 jobs from 1973 to 1975, a decline of four percent at the time. From the peak of 439,000 jobs in February 2008, Delaware has now lost 23,600 jobs through May 2009, a drop of 5.4 percent. The unemployment rate in Delaware rose to 8.1 percent in May, just below the all-time record in the state of 8.2 percent, which occurred from July 1976 through January 1977 (the modern statistical series for the unemployment rate begins in 1976). The state's unemployment rate is nearly certain to surpass the 8.2 percent level later this year.

Based on current data (the state's jobs numbers will be revised in early 2010), Delaware's economy was essentially flat before falling off a cliff in the fourth quarter of 2008. For the first three quarters, there was actually some minimal job growth. Then in the fourth quarter, nearly 14,000 jobs were lost. Another 4,300 jobs were lost in the first quarter of 2009, while second quarter job losses look to be close to another 4,000.



Beyond the current deep recession, there are indications that Delaware's economy has not been fully healthy for a much longer period of time. Delaware lost a greater percentage of jobs than the nation in the last recession early this decade. It did not fully share in the job growth that came in the subsequent expansion and it is now losing jobs at a pace greater than the national average. In fact, the number of jobs in Delaware is currently below the number the state had at the beginning of the decade. In December 1999, there were 418,600 total nonfarm jobs in the state; in May, 2009, there were 415,400, a drop of 0.8 percent. By comparison, the US added 1,619,000 jobs over that period, a gain of 1.2 percent.

Far and away, the industry with the greatest job loss over the decade was Manufacturing. The 14,600 jobs lost there (May 1999 to May 2009) were almost exactly offset by the 14,500 jobs gained in Health Care and Social Assistance. Another industry sector in decline has been Administrative and Support Services, which includes industries such as temporary help, call centers and telemarketing, security and janitorial services, and landscaping. It is down by 6,800 jobs over the decade. Employment at state and local government grew by 6,200 jobs and the industry sector known as Other Services added 4,500 jobs, the second-highest total of any private sector, after Health Care. Other Services includes industries such as car repair, beauty salons, funeral homes, and dry cleaners.

Measuring Employment Changes

There are two Bureau of Labor Statistics (BLS) programs which are the primary sources for employment by industry. The Quarterly Census of Employment and Wages (QCEW) is the more complete of the two; it is drawn from quarterly employment reports the great majority of businesses are required to submit. Its major drawback is timeliness – data are not generally available until several months after the period in question. The Current Employment Statistics (CES) program is designed to provide data only weeks after the month it is measuring ends, but being survey-based, it is not as complete or accurate as the QCEW. During periods of rapid change in employment levels, such as Delaware has experienced lately, it is useful to look at both data series in tracking the economy.

At the beginning of each year, the CES data are reconciled to the available QCEW data (usually the first three quarters) during the benchmarking process. The two series will track each other closely for this period, then often diverge slightly in the last quarter. The fourth quarter is then reconciled between the two series at benchmarking the following year. Last year, 2008, was different for two reasons: 1) rapid changes in the economy occurring at that time would tend to make any survey-based estimates less reliable and 2) the CES estimation methodology was changed in November, with the national office largely taking over the generation of estimates from the states. The result is that the QCEW and CES estimates diverge substantially at the end of 2008. There is no question that the QCEW estimates are more reliable and that the CES estimate of the scope of job decline will be revised downward by about 5,000 jobs at the beginning of next year (the CES series for late 2008 currently overstates the number of jobs lost). Data for 2009 are only available from the CES program as of the writing of this report, so data from both programs will be used to provide a more complete analysis of the current state of Delaware's economy.

Overall, there were 17,000 jobs lost (3.8 percent) from December 2007 to December 2008 according to the CES, and just under 12,000 lost (2.8 percent) according to the QCEW. For the country as a whole, the rate of decline was 2.1 percent according to the national CES. National QCEW fourth quarter data are not yet available, but it is clear that Delaware has suffered a greater than average job loss. In the detailed industry analysis which follows, unless otherwise noted, all December 2007 to December 2008 estimates are from the QCEW, while all May 2008 to May 2009 estimates are from the CES. Estimates of earnings and employment by gender are from the Local Employment Dynamics (LED) program, which is a joint effort of the US Bureau of the Census and state QCEW programs.

As of the 12 months ending with June 2008 (the most recent period available for LED data), employment in Delaware was majority female, at 51.2 percent. Overall average earnings were \$3,864.25 per month (\$46,371 per year), with men earning an average of \$4,602.25 per month and women \$3,162.75 per month. Women on average earn just less than 69 cents for every dollar of men's earnings.

Job Change by Industry Sector, December 2007 to December 2008

NAICS	Industry Sector	Dec. 2007	Dec. 2008	Change	% Change
23	Construction	28,453	24,880	-3,573	-12.6%
44-45	Retail Trade	57,202	54,203	-2,999	-5.2%
31-33	Manufacturing	33,411	30,994	-2,417	-7.2%
56	Administrative and Waste Services	25,362	23,109	-2,253	-8.9%
52	Finance and Insurance	38,991	38,248	-743	-1.9%
55	Management of Companies and Enterprises	11,220	10,636	-584	-5.2%
42	Wholesale Trade	14,833	14,268	-565	-3.8%
48-49	Transportation and Warehousing	14,310	13,907	-403	-2.8%
54	Professional, Scientific, and Technical Services	26,145	25,753	-392	-1.5%
71	Arts, Entertainment, and Recreation	7,593	7,221	-372	-4.9%
53	Real Estate and Rental and Leasing	6,514	6,258	-256	-3.9%
51	Information	7,209	7,022	-187	-2.6%
72	Accommodations and Food Services	31,554	31,464	-90	-0.3%
11	Covered Agriculture	1,217	1,194	-23	-1.9%
22	Utilities	2,146	2,222	76	3.5%
81	Other Services	13,468	13,557	89	0.7%
92	Public Administration	20,086	20,286	200	1.0%
61	Educational Services	32,489	33,155	666	2.0%
62	Health Care and Social Assistance	56,402	58,355	1,953	3.5%

Industry Employment

Largest Job Losses

The industry sector with the greatest job loss in 2008 was Construction, which declined by a net 3,573 jobs (12.6 percent) from December 2007 to December 2008. Construction employment has not yet stabilized, as the CES Dec. – Dec. job loss of 3,160 jobs widened to 4,000 jobs during the May 2008 – May 2009 period. Of Construction's three sub-sectors, Specialty Trade Contractors have suffered the greatest losses, losing 2,157 jobs from Dec. '07 – Dec. '08 (13.2 percent). Heavy and Civil Engineering Construction fared best, losing 184 jobs (3.9 percent). We expect this to continue through 2009, with a likely loss of about two thousand more Specialty Trade Contractors and an expected gain of about one hundred to two hundred jobs in Heavy and Civil Engineering Construction, due to economic stimulus spending. Job losses in Construction would tend to have a large impact on males, as they made up 84 percent of industry employment for the 12 months ended June 2008. Average earnings in this industry were two percent above overall average earnings in the state.

Retail Trade suffered the second-greatest job loss in 2008, losing 2,999 jobs (5.2 percent). This industry appears to have stabilized in 2009, with the CES showing 4,900 jobs lost from December 2007 – December 2008 and only 2,600 lost between May 2008 and May 2009. We expect that there will be net job losses in Retail Trade in 2009, with growth returning in 2010. The sub-sectors with the greatest job losses were Motor Vehicle and Parts Dealers, with 676 net job losses, Furniture and Home Furnishing Stores, with 598 jobs lost, and Sporting Goods, Hobby, Book, and Music Stores, with 316 jobs lost. Of Retail Trades' 12 sub-sectors, only Food and Beverage Stores gained jobs, adding 397 net jobs. Employment in Retail Trade is 50.8 percent female and average pay is low, at 42 percent below the state's overall average pay.

Manufacturing was Delaware's third-hardest hit industry sector, losing 2,417 jobs (7.2 percent) in 2008. Job losses appear to be accelerating, as CES reports 3,400 jobs lost from Dec. 2007 – Dec. 2008 and 3,800 lost from May 2008 – May 2009. In addition to the current recession, Manufacturing employment in Delaware has been in a long-term structural decline, which will most likely continue after the recession is over. The sub-sector with the greatest job loss was Transportation Equipment Manufacturing, which declined by 834 jobs in 2008. Job losses in that sub-sector have accelerated and will top 1,000 in 2009. Other sub-sectors with substantial job losses in 2008 include Food Manufacturing, which lost 386 jobs and Chemical Manufacturing, which declined by 296 jobs. Males dominate employment in Manufacturing, holding 69.6 percent of the jobs. Industry average pay is 16 percent above the overall state average.

The only other industry sector to lose more than 1,000 jobs in 2008 was Administrative and Support and Waste Management and Remediation Services, which lost 2,253 jobs. There appears to be some recovery in this industry, as CES employment has gone from a decline of 5,800 jobs from Dec. 2007 – Dec. 2008 to a drop of 3,500 from May 2008 – May 2009. All of the job decline was in the Administrative and Support sub-sector, as Waste Management and Remediation showed a gain of 234 jobs in 2008. Employment Services, which consists primarily of Temporary Help Services, lost 3,200 jobs from Dec. 2007 – Dec. 2008, according to the CES. From May 2008 – May 2009, the job loss has been only 1,200 jobs. This matters, because if Temporary Help employment is stabilizing, that is typically an early sign of economic recovery. Employment in the sector is mostly male, at 54.8 percent and the average pay is only 69.5 percent of the state overall average.

Where Losses are Accelerating

Among other industry sectors, those where job losses appear to be accelerating in 2009 include Finance and Insurance, which was down by 200 jobs from Dec. 2007 – Dec. 2008 and by 1,400 jobs from May 2008 – May 2009. This is one of the highest-paying industries in the state, with wages 52 percent above the overall average. Even though industry employment is majority female (60 percent), pay disparity is particularly noticeable here, as women earn only 60.8 cents for every dollar earned by men.

Wholesale Trade also appears to be worsening. Its Dec. 2007 – Dec. 2008 decline of 700 jobs is now a 1,100 job drop from May 2008 – May 2009. This is most likely tied to the drop in Retail Trade. Average pay in this industry is high, at 48 percent above the state's overall average. Employment is predominantly male, at 65 percent of the jobs, but pay is much more egalitarian than in Finance and Insurance (or in most industries in the state, for that matter); women earn 94 cents for every dollar earned by men.

Professional, Scientific, and Technical Services has also seen increased job losses in 2009. This industry, which includes accounting, legal, engineering, and management consulting services, along with scientific research and development, had a decrease of 900 jobs from Dec. 2007 – Dec. 2008 and a decrease of 1,800 jobs from May 2008 – May 2009. Average pay is high, at 55 percent above the overall average.

Industry Sub-Sectors with 100+ Lost Jobs

NAICS	Industry Sub-sector	Fourth Quarter 2007	Average Jobs 2008	Change	% Change
238	Specialty Trade Contractors	16,330	14,173	-2,157	-13.2%
561	Administrative and Support Services	23,631	21,914	-1,717	-7.3%
236	Construction of Buildings	7,718	6,754	-964	-12.5%
336	Transportation Equipment Manufacturing	3,571	2,737	-834	-23.4%
441	Motor Vehicle and Parts Dealers	7,256	6,580	-676	-9.3%
442	Furniture and Home Furnishings Stores	2,910	2,312	-598	-20.5%
311	Food Manufacturing	9,604	9,218	-386	-4.0%
484	Truck Transportation	3,027	2,656	-371	-12.3%
451	Sporting Goods, Hobby, Book, and Music Stores	2,532	2,216	-316	-12.5%
424	Nondurable Goods	6,315	6,008	-307	-4.9%
325	Chemical Manufacturing	4,384	4,088	-296	-6.8%
448	Clothing and Accessories Stores	5,915	5,619	-296	-5.0%
444	Building Material and Garden Equipment Stores	4,882	4,611	-271	-5.6%
713	Amusement, Gambling, and Recreation	6,394	6,142	-252	-3.9%
531	Real Estate	4,933	4,702	-231	-4.7%
453	Miscellaneous Store Retailers	3,436	3,217	-219	-6.4%
446	Health and Personal Care Stores	3,961	3,764	-197	-5.0%
523	Securities and Financial Investments	3,908	3,719	-189	-4.8%
237	Heavy and Civil Engineering Construction	4,701	4,517	-184	-3.9%
447	Gasoline Stations	2,485	2,302	-183	-7.4%
327	Nonmetallic Mineral Products Manufacturing	932	753	-179	-19.2%
511	Publishing Industries	1,492	1,324	-168	-11.3%
518	Internet Service Providers and Data Processing Services	1,682	1,528	-154	-9.2%
721	Accommodations	2,933	2,782	-151	-5.1%
443	Electronics and Appliance Stores	2,153	2,021	-132	-6.1%
326	Plastics and Rubber Products Manufacturing	1,599	1,498	-101	-6.3%
333	Machinery Manufacturing	367	267	-100	-27.2%

Employment is 52 percent male, but pay is not so equal, with women earning 61 cents for every dollar earned by men.

Yet another Delaware industry still on the decline is Arts, Entertainment, and Recreation. One of the few growing industries from Dec. 2007 – Dec. 2008, with 400 jobs added according to CES (QCEW had it losing 243 jobs over this period), it is down by 500 jobs from May 2008 – May 2009. Average pay is low; at $2,442 per month, it is 37 percent below the state's overall average. Employment is 51 percent male and women earn 72 cents for every dollar earned by men.

One final industry in decline in 2009 is Accommodations and Food Services, which is being affected by the drop in consumer discretionary spending, as is Retail Trade and Arts, Entertainment, and Recreation. Dominated by the Food Services sub-sector, which actually gained 689 jobs in 2008 (QCEW), the industry sector went from 400 jobs lost from December 2007 – December 2008 (CES) to 800 jobs lost from May 2008 – May 2009. Average pay is quite low; at $1,499.25 per month, it is 61 percent below overall average pay. Women make up 55 percent of the industry's workforce and they earn 73 cents for every dollar earned by men.

Growing Industries

There were a few industry sectors which gained jobs in 2008, led by Health Care and Social Assistance, which added 1,953 net jobs (3.5 percent). Its rate of growth, though still positive, has appeared to decline in 2009. From Dec. 2007 – Dec. 2008 there was a gain of 1,800 jobs, while from May 2008 – May 2009 the gain was 1,400 jobs. The sub-sector Nursing and Residential Home Facilities led the way, adding 1,020 jobs in 2008. Ambulatory Health Care Services (practitioner's offices) gained 475 jobs, while Hospitals added 468 jobs.

The final sub-sector, Social Assistance, added only 97 jobs, but the expanding need under current economic conditions would seem likely to generate further job growth in 2009. Jobs in Health Care and Social Assistance are mostly held by women, at 81 percent of total jobs, and earnings disparities are greater than average – women earn only 55 cents for every dollar earned by men. The overall average pay is a little below average, at 94 percent of the state's overall average.

Educational Services was the other industry sector to show substantial growth in 2008; it continues to grow in 2009, but at a slower pace. From Dec. 2007 – Dec. 2008, the combined private, state government, and local government Educational Services industry sector added 1,300 jobs. From May 2008 – May 2009, it is up by 600 jobs. Average pay is slightly below the overall average, at 96 percent. Women make up two-thirds of the workforce and earn 78 cents for every dollar earned by men.

Occupational Unemployment

Since the occupations of the unemployed are not comprehensively collected by any program or data series, we have to find ways to approximate this information. One way to estimate the occupations of those entering unemployment during the current recession is to look at the occupational composition of the industries where job losses are greatest. Without additional information, the assumption would be that the occupational composition of those laid-off would roughly correspond to the industry's overall occupational composition.

Construction lost more jobs than any other sector in Delaware in 2008, with the Specialty Trade Contractors sub-sector hit hardest. Within this sub-sector, Construction Laborers (SOC 47-2061) is the most common occupation, at 10.2 percent of total jobs. This occupation requires little specific job training. Helpers of various sorts (SOC 47-3000), also low-skilled, make up 6.2 percent of the jobs. There were at least 350 of these workers who lost jobs just in this sub-sector during 2008 (16.4 percent times 2,157 net jobs lost). Office and Administration Support jobs (SOC 43-1000) make up 9 percent of the jobs here, while skilled construction trades Electricians (SOC 47-2111) make up 9.5 percent and Plumbers (SOC 47-2152) make up 8.9 percent.

These last three occupations also make up large portions of other industries which lost jobs. In Retail Trade, which declined by 2,999 jobs in 2008, Office and Administration Support makes up 15 percent of all jobs, so probably 450 of these jobs were lost there. Retail Salespersons (SOC 41-2031) make up 30.9 percent and Cashiers (SOC 41-2011) 18 percent; between them, about 1,470 jobs were lost. Installation, Maintenance, and Repair occupations (SOC 49-0000) make up 6.2 percent of Retail Trade jobs; many of the skills in these jobs could be applied in a construction setting, but, of course, those jobs are declining also.

The Transportation Equipment Manufacturing sub-sector, which includes automobile assembly plants, also employed a substantial number of Construction Trades workers (SOC 47-2000), at 8.9 percent of jobs, and Electricians, at 5.2 percent of jobs. Assemblers and Fabricators (SOC 51-2000) made up the majority of positions, at 62 percent. There will probably be over 1,200 of these jobs lost in 2008 and 2009 and most of these workers will require re-training in other occupations before regaining employment.

Administrative and Support and Waste Management and Remediation Services, which declined by 2,293 jobs in 2008, has a fairly high proportion of relatively low-skilled occupations, such as Security Guards (SOC 33-9032), at 8.5 percent of jobs, Janitors and Cleaners (SOC 37-2011), at 16.3 percent, Landscaping and Groundskeeping Workers (SOC 37-3011), at 7.8 percent, Office Clerks and Assistants (SOC 43-1000), at 22.7 percent. This last group is also heavily represented in Banking, which is likely to see job losses in 2009. Financial and Office Clerks, which include Customer Service Representatives, make up 40.5 percent of the banking jobs in Delaware.

Another way to examine the occupations of the unemployed is by using unemployment insurance claims data. It should be noted that, for various reasons, roughly half of the unemployed never file UI claims, so this really covers only a subset of the unemployed. The UI data report only on occupational groups, not specific occupations.

The percentage of claims has remained remarkably constant across occupational groups for the 16 months examined (January 2008 through April 2009). Office and Administration Support (SOC 43-0000) make up the largest portion, averaging 19 percent of all claims in 2008 and 16 percent in 2009. As pointed out in the section above, these occupations are employed across a wide range of industries. Sales (SOC 41-000), Construction (SOC 47-0000), and Transportation and Material Moving (SOC 53-0000) occupations all tied at 8 percent of claims in 2008, with Construction edging up to 9 percent in 2009, Transportation and Material Moving falling to 7 percent, and Production (SOC 51-0000) moving up from 7 percent to 8 percent.

Analysis of Unemployment Insurance Claims

Claims by Industry

This section assesses the relative impact of the recession across industry sectors by comparing the industry of last employment for Unemployment Insurance (UI) claimants in Delaware and the US. The claims are adjusted to account for differences in the relative size of industries in Delaware versus the nation through the use of location quotients. Tracking the proportion of claims by industry back to 2001 allows us to see the effects of the last recession and the current recession, as well as the expansion in between.

On average over the decade, the same industries in Delaware exhibit relatively high (or relatively low) proportions of claims. The industry sector Administrative and Support and Waste Management and Remediation Services has the highest overall average of 2.02, meaning that Delaware has just over twice the proportion of total UI claims coming from this industry as does the nation, even after adjusting for relative size differences. The proportion of claims from this industry has diminished in Delaware in recent years and there are no signs of any effect from the current recession.

Accommodations and Food Services also has a high proportion of claims, averaging 79 percent above the US rate, but it also shows no current up tick. That contrasts with the last recession, when there was a noticeable increase in claims from this industry.

The industries with the largest increase in claims during the 2008 recession, indicating they have been hit harder in Delaware than in the rest of the country, have been Professional, Scientific, and Technical Services, which went from 5 percent below the national average to 14 percent above it; Information, which went from 30 percent below the US rate to 16 percent below it; and Retail Trade, which was 64 percent above the national rate in 2007 and 76 percent above it in 2008.

The industries which fared relatively well in 2008 in Delaware were Finance and Insurance, Manufacturing, and Wholesale Trade. Most of the jobs lost in Finance and Insurance nationally were in investment banking and mortgage lending; these are not areas that Delaware banks concentrate in. As a result, claims went from being 19 percent above the national average in 2007 to 14 percent below it in 2008. In Manufacturing, despite some high-profile shutdowns and layoffs in the state, other parts of the country were hit even harder, making the relative proportion of claims from this industry go from 34 percent below the nation to 46 percent below it. Wholesale Trade had claims remaining above the national average, but getting closer to it, moving from 21 percent above to 13 percent above.

Claims by Demographic Group

The distribution of UI claims by demographic group shows differences between Delaware and the US, between Delaware UI claims and the Delaware labor force, and between 2008 and the first quarter of 2009. Claims by people identified as Hispanic were a considerably lower proportion in Delaware, at 3.8 percent of all claims in 2008, than across the US, where they accounted for 17.7 percent of all claims. Claimants identified as White were a smaller percentage in Delaware, at 58.8 percent versus 69.8 percent for the nation. Claimants identified as Black had nearly double the proportion in Delaware at 39.9 percent, as in the US, at 20.5 percent. Asians accounted for 3.1 percent of the claims in the US, but were reported at zero percent in Delaware. In the first quarter of 2009 in Delaware, Hispanic claimants rose to 4.3 percent, Black claimants fell to 34.1 percent, and White claimants rose to 64.3 percent. All data were proportionally adjusted to account for missing information.

Nationally, the recession has appeared to cause more layoffs among men, probably due to their overrepresentation in the industries most affected (construction, manufacturing, certain financial sectors). This disparity appears also in the Delaware data, but in a less pronounced way. During 2008, UI claimants across the US were 58.8 percent male and 41.1 percent female. In Delaware last year, 51.8 percent of the insured unemployed were male, and 48.2 percent were female. For the first quarter of 2009, the male composition has risen in both places, to 64.8 percent in the US and 58.1 percent in Delaware. The most plausible explanation for this is male overrepresentation in industries which are seasonally affected by layoffs during the winter.

Current Population Household Survey Data

The Current Population Survey (CPS) of households is the source of labor force data, including the unemployment rate, for the United States. For most states, the survey sample size is too small to directly generate monthly estimates at the accuracy level required. Averaging the data over longer periods reduces this problem; they can then be used to examine labor force characteristics by demographic group which no other source provides.

The data show clearly that black Delawareans have been more affected by recent business cycles than white Delawareans. They also show that black males were hit hardest of all in 2008.

Over the nine years from 2000 through 2008, the unemployment for white males averaged 3.6 percent, with a low of 3.2 percent in 2006 and a high of 4.4 percent in 2008. During the last recession, the unemployment rate for white

Labor Force Statistics by Major Demographic Group

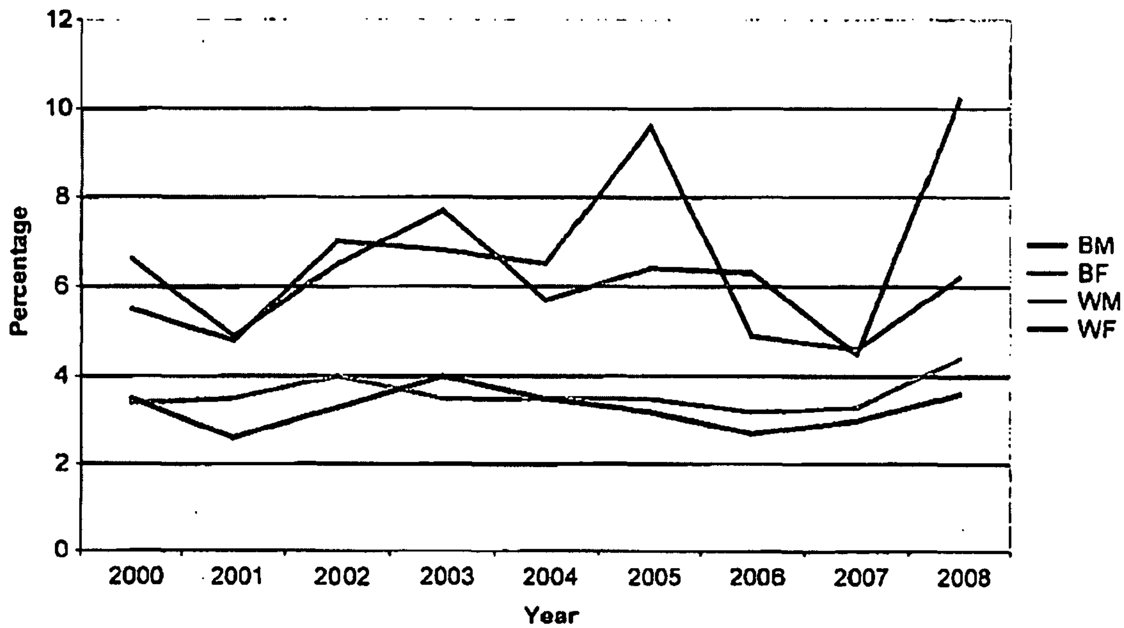
		2000	2001	2002	2003	2004	2005	2006	2007	2008	9-Yr Ave.
White 16-19	LF	21.6	18.5	15.7	17.7	17.1	16.8	18.6	18.5	16.0	17.8
	UN	2.8	1.9	1.6	1.6	1.1	1.5	1.3	1.8	2.2	1.7
	Rate	13.0%	10.4%	10.0%	8.9%	6.4%	8.8%	7.0%	9.4%	13.4%	9.8%
Black 16-19	LF	6.2	3.2	3.8	3.6	3.5	3.2	4.1	3.3	5.0	4.0
	UN	1.7	0.6	0.9	1.0	0.9	0.7	0.8	0.7	1.3	0.9
	Rate	28.1%	17.4%	24.0%	28.7%	25.7%	23.0%	19.0%	19.8%	25.1%	23.9%
White Male 16+	LF	167.2	172.2	168.5	172.6	172.4	176.6	179.4	176.6	180.0	174.0
	UN	5.6	6.1	6.7	6.1	6.1	6.1	5.7	5.9	8.0	6.3
	Rate	3.4%	3.5%	4.0%	3.5%	3.5%	3.5%	3.2%	3.3%	4.4%	3.6%
White Female 16+	LF	147.0	151.4	150.2	153.9	155.8	158.6	157.6	156.4	156.6	154.2
	UN	5.2	3.9	4.9	6.2	5.5	5.2	4.2	4.7	5.7	5.0
	Rate	3.5%	2.6%	3.3%	4.0%	3.5%	3.2%	2.7%	3.0%	3.6%	3.3%
Black Male 16+	LF	42.0	39.2	35.6	34.4	35.2	41.6	43.0	42.0	41.4	39.4
	UN	2.8	1.9	2.3	2.7	2.0	2.7	2.7	1.9	4.2	2.6
	Rate	6.6%	4.9%	6.5%	7.7%	5.7%	6.4%	6.3%	4.5%	10.2%	6.5%
Black Female 16+	LF	46.8	48.9	44.7	41.2	39.6	46.4	48.1	47.3	48.9	45.7
	UN	2.6	2.4	3.1	2.8	2.6	4.5	2.4	2.2	3.1	2.8
	Rate	5.5%	4.8%	7.0%	6.8%	6.5%	9.6%	4.9%	4.6%	6.2%	6.2%

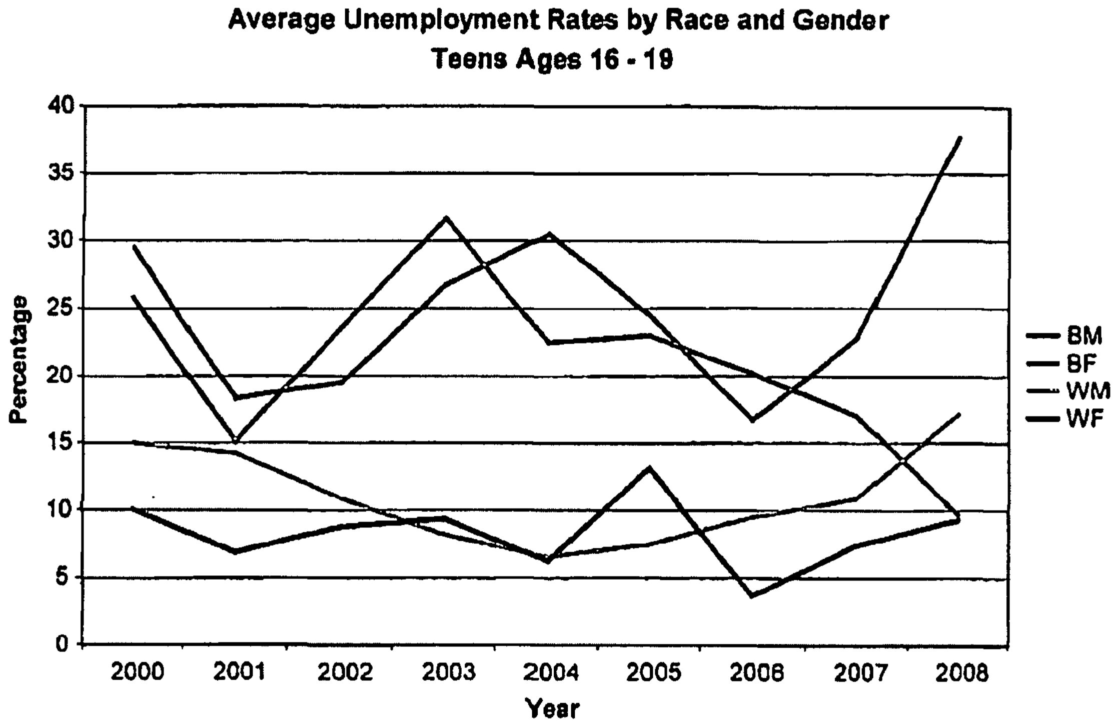
LF – Labor Force
UN – Unemployment Level
Rate – Unemployment Rate

Note: Labor Force and Unemployment Level are in thousands males went from 3.4 percent in 2000 up to 4.0 percent in 2002. For black males, the nine-year average unemployment rate was 6.5 percent, varying from a low of 4.5 percent in 2007 to a high of 10.2 percent in 2008. The average unemployment rate for black males also varied considerably in the last recession, which was much milder than the current recession, going from a low of 4.9 percent in 2001 to a high of 7.7 percent in 2003.

For women in the workforce, the general pattern is similar. White females averaged a 3.3 percent unemployment rate from 2000 to 2008, varying from a low of 2.6 percent in 2001 to a high of 4.0 percent in 2003. Their unemployment rate rose only to 3.6 percent in 2008, though it will certainly continue rising in 2009. For black females, the nine-year average rate was 6.2 percent unemployed, with a range of 4.6 percent in 2007 to 9.6 percent in 2005. During the last recession, the unemployment rate for black females rose from 4.8 percent in 2001 to 7.0 percent in 2002. It should be noted that some of the variability in the unemployment rates for blacks is probably due to a smaller sample size, as they represented 21.5 percent of the state's population in 2008. However, it is also likely that this accounts for only part of the variation and that the unemployment rate for whites is, in fact, less variable.

Average Unemployment Rates
Black Males, Black Females, White Males, White Females





State GDP and Personal Income

While Delaware's per capita GDP of $56,401 in 2008 remained the highest in the nation, its growth has stagnated in recent years. As the recession took hold last year, output growth naturally slowed. The nation as a whole managed real GDP growth of just 0.7 percent. There were 12 states with declines in real GDP from 2007 to 2008, with Alaska having the largest drop at -2.0 percent. Delaware had the second-largest drop in output, at -1.6 percent.

The industry sector most responsible for Delaware's falling real GDP in 2008 was the state's largest, Finance and Insurance. Directly generating 35.6 percent of Delaware's overall output, Finance and Insurance produced $985 million less in output in 2008 than in 2007, a drop of 5.7 percent. All the other industries in the state had a combined increase in real GDP of $175 million. Other industries which had a reduction in output in 2008 were Manufacturing, down $350 million, Construction, down $96 million, and Wholesale Trade, which declined by $87 million. Industry sectors showing growth in 2008 were led by Professional and Technical Services, with a real GDP gain of $313 million and Health Care and Social Services, which grew by $184 million.

Delaware's slowdown did not begin in 2008, however. It is one of three states where real GDP in 2008 was below its 2005 level. Only Michigan, where real GDP declined by 4.0 percent from 2005 to 2008, showed a greater drop in output. Delaware's output dropped by 1.33 percent over that period, while Ohio's output dropped by 1.29 percent. Once again, it was declining GDP in Delaware's Finance and Insurance Industry sector which pushed the state into negative territory. Net gains of $682 million across all other industries were not enough to offset the loss of $1.346 billion in output at the state's Finance and Insurance businesses.

The number one growth industry in Delaware from 2005 to 2008 was Real Estate and Rental and Leasing, where output grew by $577 million, although much of this gain was due to the run-up in house prices. Professional and Technical Services showed the second-greatest gain, adding $412 million in real GDP. Health Care and Social Services, where output grew by $333 million, was third.

While state GDP, the measure of all value added by enterprises within a state, is often used as a proxy for economic health, state personal income, which is the income received by all persons in the state from all sources, is a better measure of the economic well-being of households. From 2007 to 2008, Delaware's personal income rose by 1.8 percent, which was below the 3.4 percent increase in average consumer prices in the region. Across the US, personal income rose by an average of 2.9 percent, while consumer prices went up by 3.8 percent. Six states were below Delaware in personal income growth, while 43 showed more growth.

Over a longer period, Delaware's growth in personal income still lagged behind much of the nation. From 2000 to 2008, personal income in the state grew by 32.3 percent, 33rd fastest among the states; in the nation as a whole, it rose by 33.2 percent. Inflation was a little worse in the area, so the difference in real income change is larger: real personal income is up by 8.2 percent in the US this decade and up by 5.3 percent in Delaware.

In 2008, there were 15 states with higher per capita personal income than Delaware, including New Jersey and Maryland. Pennsylvania was just behind, with the 19th-highest level. In the last couple of years, Delaware's growth has fallen behind growth in the neighboring states. From 2006 to 2008, Delaware's per capita personal income grew by $2,107. Maryland's grew by $4,202, New Jersey's by $4,106, and Pennsylvania's by $3,465.

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No.: PSC-A-74
Please provide the levels of incentive compensation paid on a system total and Delaware Distribution allocated bases for the past 5 calendar years.

RESPONSE:

See attachment.

Respondent: W. Michael VonSteuben

DELMARVA POWER
DOCKET NO. 09-414
QUESTION PSC-A-74: COMPANY'S INCENTIVE COMPENSATION - TOTAL DPL & DPL DE DISTRIBUTION

COMPANY CODE 1000 - DELMARVA POWER		2008	2007	2006	2005	2004
GL #	GL Description					
710020	Salaries-Incentive- allocated to DPL	$13,244	$12,807	$14,687	$35,550	$27,847
710022	Salaries-Employee Recognition-allocated to DPL	$70,149	$66,571	$62,898	$82,322	$112,139
710036	Salaries-LTIP/PARS	$185,845	$0	$19,879	$0	$0
710055	Accrued Liability-Safety Incentive - allocated to DPL	$427,713	$373,644	($33,670)	$802,204	$1,427,282
710060	Accrued Liability- AIP-amt. allocated to DPL	$1,659,762	$1,137,723	($231,980)	$595,531	$304,688
710061	Accrued Liability-Incentive Current-allocated to DPL	$0	$109	$608	$0	$1,514
710065	Accrued Liability- Executive-Other-allocated to DPL	$0	$112	$0	$0	$838
710066	Accrued Liability - Payout vs. Actual-allocated to DPL	($34,608)	$0	$0	$0	$0
710068	Accrued Liability-Executive - allocated to DPL	$48,313	$0	$0	$0	$33,755
	Total	$2,370,418	$1,590,966	($167,788)	$1,515,607	$1,908,063
Allocations						
DPL Electric (vs. Gas) %		79.00%	79.00%	79.00%	79.00%	79.00%
DPL Electric Expense		$1,872,630	$1,256,863	($132,553)	$1,197,330	$1,507,370
DPL Electric Distribution (vs. Transmission) %		88.01%	86.69%	87.53%	85.62%	86.46%
DPL Electric Distribution Expense		$1,648,102	$1,089,575	($116,023)	$1,025,154	$1,303,272
DPL Electric DE Distribution (vs. MD Distribution) %		58.73%	56.19%	56.12%	57.05%	57.09%
DPL Electric DE Distribution Expense		$957,930	$612,232	($65,112)	$584,850	$744,038

COMPANY CODE 9000 - PHI SERVICE COMPANY		2008	2007	2006	2005	2004
GL #	GL Description					
710020	Salaries-Incentive- allocated to DPL	$288,912	$328,107	$387,784	$447,830	$1,372,452
710022	Salaries-Employee Recognition-allocated to DPL	$234,130	$78,802	$183,847	$199,901	$389,460
710036	Salaries-LTIP/PARS	$16,151,619	$4,282,201	$5,699,099	$4,425,787	$4,684,939
710055	Accrued Liability-Safety Incentive - allocated to DPL	$252,502	$180,250	$139,591	$208,414	$1,067,501
710060	Accrued Liability- AIP-amt. allocated to DPL	$11,518,503	$8,717,909	($702,947)	$10,300,423	$2,032,046
710061	Accrued Liability-Incentive Current-allocated to DPL	$8,075,587	$5,681,587	$3,738,824	$4,296,861	$4,880,270
710065	Accrued Liability- Executive-Other-allocated to DPL	$1,338,919	$1,414,903	$0	$669	$2,072,549
710066	Accrued Liability - Payout vs. Actual-allocated to DPL	$1,066,865	$0	$0	$66,427	$924,313
710068	Accrued Liability-Executive - allocated to DPL	$4,453,882	$4,480,823	$1,236,383	$3,338,667	$2,673,957
	Total	$43,381,019	$25,164,682	$10,682,581	$23,279,979	$20,207,487
Allocations						
DPL (as % of PHI)		26.41%	29.12%	28.71%	30.00%	30.00%
DPL Expense		$1,176,297	$1,307,728	$330,238	$1,001,567	$802,160
DPL Electric (vs. Gas) %		79.00%	79.00%	79.00%	79.00%	79.00%
DPL Electric Expense		$929,274	$1,033,105	$260,888	$791,238	$633,707
DPL Electric Distribution (vs. Transmission) %		88.01%	86.69%	87.53%	85.62%	86.46%
DPL Electric Distribution Expense		$817,854	$895,599	$228,355	$677,458	$547,903
DPL Electric DE Distribution (vs. MD Distribution) %		58.73%	56.19%	56.12%	57.05%	57.09%
DPL Electric DE Distribution Expense		$480,326	$503,237	$128,153	$386,490	$312,798

SUMMARY - COMPANY CODES 1000 & 9000	2008	2007	2006	2005	2004
DPL Expense	$3,546,715	$2,898,694	$162,450	$2,517,174	$2,710,223
DPL Electric Expense	$2,801,905	$2,289,968	$128,335	$1,988,567	$2,141,076
DPL Electric Distribution Expense	$2,465,956	$1,985,173	$112,332	$1,702,611	$1,851,175
DPL Electric DE Distribution Expense	$1,448,256	$1,115,469	$63,041	$971,340	$1,056,836

PSC DOCKET NOS. 09-414 & 09-276T
DIVISION OF THE PUBLIC ADVOCATE'S
FOLLOW UP DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No.: DPA-A-175
Regarding the Response to DPA-A-21 concerning incentive compensation: a. When will the 2009 amounts paid for incentive compensation be determined? b. Are any amounts earned and paid during the year, or is it an annual lump sum? c. Provide the 2009 actual incentive compensation paid by month. d. Explain why 2008 incentive compensation was the highest paid in any of the last five years, and 148% greater than the five-year average of the expense. e. Is it possible for this expense to be zero in 2009 or 2010?

RESPONSE:

a. The AIP payout will be determined in February 2010.
b. Payments are made in a lump sum amount.
c. The 2008 AIP was paid in March 2009. Refer to the response to DPA-A-21 for the AIP that was accrued in 2008.
d. The payout was due to a combination of strong corporate earnings results (50%), and also strong performance in achieving the goals (safety, customer favorability, reliability, etc) that were in the balanced scorecards for the business areas (50%).
e. Yes, it is possible.

Respondent: W. Michael VonSteuben

Pepco Holdings, Inc

Proxy Statement and 2008 Annual Report to Shareholders

Dear Shareholders,

2008 was a year of global financial turmoil on an unprecedented scale. Pepco Holdings, Inc., along with others in the utility industry, faced tough challenges. We are all disappointed with the effect of these developments on our stock price, but it is important to recognize actions we took in 2008 to provide the resources to withstand what appears to be another year of market volatility, economic turmoil and challenges for our company. Thus, while the decline is disappointing to you as an investor and to us as a management team, we believe the strong fundamentals are in place for future value creation.

Early on, PHI recognized the long-term nature of the credit crisis and responded by aggressively conserving cash and accelerating its financing program. We froze hiring and management salaries, reduced operating budgets, and scaled back the 2009 and 2010 construction programs. In the competitive businesses, we took steps to reduce working capital needs and build the added costs of doing business into our pricing.

In November, we issued common stock to raise cash and used our strong banking relationships to negotiate a supplemental credit agreement. The stock offering was followed by first mortgage bond offerings at each of our three utilities.

I am proud to report that as a result of these actions, PHI's combined cash and borrowing capacity at December 31, 2008 was $1.5 billion, and we have secured the necessary funding for our 2009 construction plans. Critical to the success of these efforts were our regulatory commissions that understood the importance of our financing requests, and a management team that mobilized quickly to take prudent actions, rather than awaiting a potentially more difficult future. I owe special thanks to employees who conserved cash, while continuing to provide customers with the reliable service they expect.

Because of these actions, PHI is well-positioned to execute its strategic business plan in 2009. We are modernizing our infrastructure by building a smart grid, launching widespread energy-efficiency programs, and continuing our program to construct a 500-kilovolt transmission power pathway that will increase reliability and bring renewable energy to the mid-Atlantic region and beyond. We are building new power plants to meet future generation needs. We are doing all these things with prudence, flexibility and sensitivity to the business environment in which we operate.

Several years ago we announced our vision for PHI, which is to help customers manage their energy use, make their electric bills more affordable, create a cleaner environment and build value for our investors. We call the plan we developed to carry out this vision our Blueprint for the Future. Now that plan is moving forward, bringing value to customers and shareholders alike.

After our May 15, 2009, annual shareholders meeting, I will retire from the company. I am proud of this company, its history, its commitment to the communities it serves, and all that it has achieved.

2008 Utility Peer Group

Allegheny Energy Inc.	Hawaiian Electric Industries, Inc.	Puget Energy Inc.
Alliant Energy Corp.	NiSource Inc.	SCANA Corp.
Ameren Corp.	Northeast Utilities	Sempra Energy
Centerpoint Energy Inc.	NSTAR	Sierra Pacific Resources
CMS Energy Corp.	OGE Energy Corp.	Teco Energy Inc.
Consolidated Edison	Pinnacle West Capital Corp.	Wisconsin Energy Corp.
DTE Energy Co.	PPL Corp.	Xcel Energy Corp.
Energy East Corp.		

One of the tools the Committee uses to assist it in its annual compensation review process is a tally sheet for each NEO. The tally sheet, which is prepared by the Company, identifies each material element of the executive's compensation, including salary, short-term and long-term incentive compensation opportunity, pension accruals and other benefits and shows the severance and other payouts to which the executive would be entitled under various employment termination scenarios.

Components of the Executive Compensation Program

The compensation program for the Company's executives, including the NEOs, consists of the following components:

- base salary;
- annual cash incentive opportunities under the Executive Incentive Compensation Plan;
- equity incentive awards consisting of performance shares and time-based restricted shares issued under the Long-Term Incentive Plan;
- retirement and deferred compensation programs;
- health and welfare benefits; and
- other perquisites and personal benefits.

The following is a discussion of each component of executive compensation.

Base Salary. The Committee considers adjustments to base salary levels annually and also may consider salary adjustments in connection with promotions and other special circumstances. Messrs. Wraase, Rigby and Torgerson each has an employment agreement with the Company. Each of these agreements provides that the executive is entitled to an annual base salary that is not less than his salary on the date he entered into the agreement, and which, if increased, may not be subsequently decreased during the term of the agreement.

The Committee, in order to provide consistency within the Company, has developed salary levels for the executives and senior management and assigned a level to each position based primarily on the decision-making responsibility associated with the position. Each salary level has a salary range, with the midpoint of the range fixed at approximately the median of the competitive range as determined by a market survey of salary levels for comparable positions. Each executive's salary was established within the range based on a combination of factors, including the executive's level of experience, tenure with the Company in the position and performance.

The Committee annually considers adjustments to the salary range for each salary level and to individual salaries. The process begins with a review by the Committee of available information on projected salary levels of other companies. If the data shows a change in the salary range for a particular salary level, the Committee has the discretion to adjust the Company's salary range for that salary level by up to a corresponding percentage. If the data shows an increase in salary levels, the Committee also may approve a percentage increase in the total salary budget for the Company's executive group (currently consisting of 56 executives) that corresponds to the market increase in salaries as shown by the data. This increase, which is referred to as a "merit budget," is available for allocation among the executive group in the form of salary increases based on the Committee's evaluation of the executive's performance, length of service and any other factors that the Committee considers relevant. The Committee also may consider whether a further salary adjustment for a particular executive is warranted based on the goal of generally paying an executive at the median of the competitive salary range for the executive's position.

To establish salaries for 2009, the Committee reviewed salary information compiled by PM&P using Utility Peer Group data and other general industry and utility survey data. This information showed an average upward salary structure adjustment among the companies surveyed of 3.1%. The Committee also obtained from PM&P published data, compiled from the same sources, which showed an average salary budget increase of 4.2%. In light of economic conditions affecting the Company's service territories and the United States as a whole, however, the Committee did not approve either salary structure adjustments or a merit budget for 2009. As a result, the only NEOs who received a salary increase for 2009 were Messrs. Rigby and Velazquez, who received increases as a consequence of promotions to positions of increased responsibilities on March 1, 2009. The 2009 salary level of each NEO is shown in the table below.

Name	2009 Salary Level	Percentage Increase from 2008
Dennis R. Wraase	$1,076,000	0%
Joseph M. Rigby	820,000(9)	21.48%
Paul H. Barry	518,000	0%
William T. Torgerson	558,000	0%
David M. Velazquez	440,000(9)	29.03%

(9) Effective March 1, 2009

Annual Cash Incentive Awards. The Company provides its executives, including its NEOs, with an opportunity to receive an annual cash bonus under the Executive Incentive Compensation Plan (the "EICP"). Under this plan, payments are based on the extent to which the Company, one or more business segments, or individual performance meets specified short-term objectives as measured by financial or other quantitative criteria. The Committee, however, retains the discretion, whether or not the established performance objectives are achieved, to adjust awards either up or down taking into account such factors and circumstances as it determines to be appropriate.

Under the EICP each participating executive has a target short-term incentive opportunity that is a percentage of the executive's salary. Each executive's percentage was selected by the Committee and is intended to place the executive's total cash compensation (consisting of salary and target annual incentive compensation) at a level approximating the midpoint of the competitive range.

The target level of short-term incentive compensation as a percentage of salary for each of the NEOs in 2008 was as follows:

Name	Target as a Percent of Salary
Dennis R. Wraase	100%
Joseph M. Rigby	60%
Paul H. Barry	60%
William T. Torgerson	60%
David M. Velazquez	60%

Annual cash incentive awards are made under the EICP to the extent performance goals established by the Committee are achieved. The performance criteria used as the basis for awards and the specific targets can vary from year to year. The performance goals can consist entirely, or be a combination, of (i) performance objectives for the Company as a whole, (ii) performance objectives for a particular business unit or (iii) individual performance objectives. The performance goals for the Company and the respective business units are selected so as to reward the executive for the achievement of targeted financial results and operational goals. Each executive's allocation is designed to align the executive's award opportunity with the executive's management responsibilities.

Generally, the financial targets are based on the Company's annual financial plan. Other quantitative targets typically are set at levels that exceed the level of performance in prior years. For a discussion of the 2008 awards under the EICP, see the section headed "Executive Incentive Compensation Plan Awards" following the 2008 Grants of Plan-Based Awards table below.

In October 2008, the Committee received from PM&P an analysis of the Company's total cash compensation for its executive officers relative to that of the Utility Peer Group. This analysis concluded that each of the NEOs' salaries and short-term incentives were within the market median range of practices, and, accordingly, PM&P recommended no change in the percentage of the NEO's total cash compensation relative to salary for 2009.

Long-Term Incentive Plan Awards. Long-term incentive awards are made to the NEOs and other executives under the Long-Term Incentive Plan (the "LTIP"). The Committee has adopted a target long-term incentive opportunity for each executive officer that is a percentage of the executive's salary and is designed to place the executive's total direct compensation (consisting of salary, target annual cash incentive compensation and target long-term incentive compensation) at a level approximating the midpoint of the competitive range.

The target level of long-term incentive compensation as a percentage of salary for each of the NEOs in 2008 was as follows:

Name	Target as a Percent of Salary
Dennis R. Wraase	200%
Joseph M. Rigby	100%
Paul H. Barry	100%
William T. Torgerson	100%
David M. Velazquez	85%

Under the LTIP, (i) two-thirds of the targeted long-term incentive award opportunity is in the form of performance stock that vests to the extent that performance objectives are achieved ("Performance Stock"), which the Company refers to as the "Performance Stock Program" and (ii) one-third of the long-term award opportunity is in the form of restricted stock that vests generally upon the completion by the executive of three years of employment from the date of the grant ("Restricted Stock"), which the Company refers to as the "Restricted Stock Program." Whereas the Performance Stock Program is designed to focus the executive on the achievement by the Company or a business segment of specific financial or other performance goals or on the achievement of individual performance goals, the primary objective of the Restricted Stock Program is executive retention and the alignment of the financial interests of the executives with the interests of the shareholders. The allocation between the two forms of compensation reflects the Committee's view that the predominant portion of an executive's long-term incentive award opportunity should be tied to performance.

Performance Stock Program. Under the Performance Stock Program, the performance targets for each year in the three-year performance period typically are established relative to the performance of the Company in the year immediately preceding the first year of the three-year period, and typically are set at levels that reflect year-to-year improvement over the three-year period and further the Committee's goal of rewarding executives only if they deliver results that enhance shareholder value. The objective of the Committee is to set target levels which, if achieved, would place the Company's performance at the 75th percentile within the Utility Peer Group.

With regard to the selection of performance measures for the vesting of shares of Performance Stock, the Committee has sought to identify measures that would further the Committee's goal of ensuring that executives are rewarded only if they deliver results that enhance shareholder value. The Committee has determined that this goal can be best achieved by selecting performance measures that are closely tied to the achievement of important objectives under the Company's financial plan. To achieve this objective, the Committee selected the following performance measures for the vesting of Performance Stock for the three-year performance cycle beginning in 2008: (i) earnings per share or, in the case of business unit performance, earnings (excluding in each instance extraordinary items and other gains and losses relating to matters that are not reflective of the Company's ongoing business), which serve as a measure of improvements in the Company's operating results, and (ii) free cash flow, which reflects the generation of cash available for dividends and debt reduction. For the three-year performance cycle beginning in 2009, the Committee has elected to replace "free cash flow" with "cash flow from operations." While a similar measure of financial performance, "cash flow from operations" is a defined term under generally accepted accounting principles and is set forth in the Company's financial statements, and is more easily ascertainable by the executive.

To take into account an executive's specific responsibilities, the selected performance measures, depending on the executive's position within the Company, apply in whole or in part to the performance of the Company as a whole or to one or more regulated (consisting of the Power Delivery segment) or unregulated (consisting of Conectiv Energy and Pepco Energy Services segments) business units and may be weighted differently between the two performance measures. The extent to which Performance Stock awards are earned depends on actual performance relative to the performance target level, with no award or a reduced award to the extent performance fell below the performance target and an increased award if the performance target is exceeded (with awards interpolated for performance between the threshold and maximum levels). The table below shows the relationship between (i) performance relative to the targeted performance level and (ii) the amount of the award earned as a percentage of the target award.

Percentage Performance Relative to Target Level (Company as a whole and Power Delivery)	Percentage Performance Relative to Target Level (unregulated business units)	Amount of Award (as a Percentage of Target Award)
below 90%	below 80%	0%
90%	80%	50%
100%	100%	100%
115%	120%	200%

The narrower performance range for the Company and Power Delivery performance targets reflects the historically lower volatility of the results from regulated operations as compared to the Company's unregulated businesses.

In January 2008, the Committee established award opportunities pursuant to the Performance Stock Program and made awards of restricted stock pursuant to the Restricted Stock Program to each of the NEOs. For a discussion of the 2008 awards, see the section headed "Long-Term Incentive Plan Awards" following the 2008 Grants of Plan-Based Awards table below and for a discussion of the vesting in 2008 of awards made in prior years, see the 2008 Option Exercises and Stock Vested table and the accompanying narrative.

Restricted Stock Program. The number of shares of Restricted Stock awarded to each of the NEOs under the Restricted Stock Program is shown on the "2008 Grants of Plan-Based Awards" table below under the heading "All Other Stock Awards: Number of Shares of Stock or Units." In each case, the shares are subject to forfeiture if the employment of the executive terminates before January 24, 2011, subject to certain exceptions described below under the heading "Termination of Employment and Change in Control Benefits." During the vesting period, the executive has all rights of ownership with respect to the shares, including the right to vote the shares and the right to receive dividends on the shares. The executive is entitled to retain the dividends paid whether or not the shares vest.

In October 2008, PM&P, at the request of the Committee, conducted a compensation review of the total direct compensation opportunity of the Company's executives. PM&P found that the total direct compensation of the NEOs was somewhat below the midpoint of the competitive range. PM&P concluded, however, that the total program of benefits provided to the NEOs, including retirement plans and other benefits, rendered their total compensation opportunity as reasonable, and therefore made no recommendation to increase the long-term incentive payout targets of the NEOs.

Retirement Programs. The Company's retirement plans, including both its general employee retirement plan and its supplemental retirement plans, are discussed in detail in the narrative headed "Retirement Plans" following the Pension Benefits at December 31, 2008 table below. Under the Pepco Holdings Retirement Plan, all employees of the Company with at least five years of service are entitled to receive retirement benefits in accordance with the applicable benefit formula up to the maximum level that a qualified pension plan is permitted to provide consistent with Internal Revenue Code regulations.

The Company's supplemental retirement plans (consisting of the Executive Retirement Plan and the Conectiv Supplemental Executive Retirement Plan ("Conectiv SERP")) provide retirement benefits in addition to the benefits a participant is entitled to receive under the Pepco Holdings Retirement Plan due to certain benefit calculation features that have the effect of augmenting the individual's aggregate retirement benefit. If the benefit payment that otherwise would have been available under the applicable benefit formula of the Pepco Holdings Retirement Plan is reduced due to a contribution or benefit limit imposed by law, any participant in the Pepco Holdings Retirement Plan is entitled to a compensating payment under the supplemental retirement plan in which the individual participates. In addition, a participant in the Pepco Holdings Retirement Plan, if designated by the Chief Executive Officer, is entitled to one or more of the following enhancements to the calculation of the participant's retirement benefit: (i) the inclusion of compensation deferred under the Company's deferred compensation plans in calculating retirement benefits, (ii) to the extent not permitted by the Pepco Holdings Retirement Plan, the inclusion of annual cash incentive compensation received by the participant in calculating retirement benefits, or (iii) the crediting of the participant with additional years of service. The supplemental retirement plan benefits of each of the NEOs are described in the narrative headed "Retirement Plans" following the Pension Benefits at December 31, 2008 table below.

The various components of the Company's supplemental retirement plans have been in effect for many years. The plans were adopted in order to assist the efforts of the Company to attract and retain executives by offering a total compensation package that is competitive with those offered by other companies, particularly other electric and gas utilities. The Committee was advised in 2005 by its previous consultant that the plans were fairly typical among the then-current peer group companies.

All employees of the Company, including the NEOs, are entitled to participate on the same terms in the Company's 401(k) savings plan (the "Retirement Savings Plan"). Participants in the Retirement Savings Plan receive a 100% Company matching contribution on employee contributions up to 3% of annual salary and a 50% Company matching contribution on employee contributions in excess of 3% of annual salary up to 6% of annual salary.

Health and Welfare Benefits. Each of the NEOs participates in the Company's health care, life insurance, and disability insurance plans on the same terms as other Company employees. With the exception of Company payment for an annual executive physical, as more fully described in Note 13 to the Summary Compensation Table, the Company has no health or welfare plans, programs, or arrangements that are available only to executives.

Other Perquisites and Personal Benefits. As more fully described in Note 13 to the Summary Compensation Table, the Company provides certain NEOs with perquisites and other personal benefits, including: (i) a Company car or a car allowance, (ii) Company-paid parking, (iii) tax preparation and financial planning fees, (iv) certain club dues, (v) personal use of Company-leased entertainment venues and Company-purchased tickets to sporting and cultural events when not otherwise used for business purposes and (vi) reimbursement for spousal travel. The Company also paid for Mr. Barry's housing costs because his family did not wish to relocate during the school year. The cost of these benefits is not significant in relation to an executive's total compensation. These benefits generally are provided to ensure that the Company's total compensation package is competitive with peer companies. In July 2008, PM&P advised the Committee that the perquisites and other personal benefits provided to executives were modest in comparison to the market.

Deferred Compensation Plan. Under the terms of the Company's Executive and Director Deferred Compensation Plan (the "Deferred Compensation Plan"), which is described in greater detail in the narrative headed "Deferred Compensation Plans" following the Nonqualified Deferred Compensation table below, the NEOs and other executives of the Company are permitted to defer the receipt of all or any portion of their compensation, including incentive compensation. In addition, to the extent an executive is prevented from making a contribution to the Retirement Savings Plan due to limitations imposed by the Internal Revenue Code, the executive is entitled to defer the excluded amount under the Deferred Compensation Plan and receive an additional credit under the Deferred Compensation Plan equal to the matching contribution, if any, that the Company would have made with respect to the excluded amount under the Retirement Savings Plan. Balances under the Deferred Compensation Plan are credited on a monthly basis with an amount corresponding to, as elected by the participant, any or a combination of: (i) interest at the prime rate or (ii) the return that would have been earned had the account balance been invested in any one or a combination of the investment funds selected by the Committee. The Deferred Compensation Plan is designed to allow participating executives to save for retirement in a tax-effective way. The Company funds its future financial obligations under the Deferred Compensation Plan through the purchase of Company-owned life insurance policies and other investments.

Compensation Mix

At-Risk versus Fixed Compensation. The percentages of each NEO's short-term and long-term incentive compensation opportunities relative to the executive's salary as established by the Committee are designed to reflect the Committee's view that, as the level of an executive's responsibility increases, the percentage of the executive's compensation that is at risk and tied to company or individual performance likewise should increase. The following table shows the allocation of each NEO's total salary and short-term and long-term incentive compensation opportunities between fixed and at-risk compensation (at the target level).

Name	Fixed Compensation	At-Risk Compensation
Dennis R. Wraase	25%	75%
Joseph M. Rigby	38%	62%
Paul H. Barry	38%	62%
William T. Torgerson	38%	62%
David M. Velazquez	41%	59%

Short-Term versus Long-Term Incentive Compensation. The Committee also believes that with increasing seniority, a larger percentage of an executive's compensation opportunity should be in the form of long-term incentive compensation. This reflects the view of the Committee that the senior executives should have a greater focus on developing and implementing the Company's long-term strategic goals. The following table shows the allocation between each NEO's target short-term and long-term incentive compensation opportunities (each at the target level).

Name	Short-Term Incentive Opportunity	Long-Term Incentive Opportunity
Dennis R. Wraase	33%	67%
Joseph M. Rigby	38%	62%
Paul H. Barry	38%	62%
William T. Torgerson	38%	62%
David M. Velazquez	41%	59%

Severance and Change in Control Benefits

The employment agreements of Messrs. Rigby and Torgerson, each entered into at the time of the merger of Pepco and Conectiv, provide for severance payments and other benefits if the employment of the executive is terminated other than for "cause" or the executive voluntarily terminates his employment for certain specified reasons, whether or not such termination is in connection with a change in control of the Company. These provisions are generally designed to provide assurance to the executive that, if the executive's employment is actually or constructively terminated by the Company, the executive will receive for a period of time thereafter the compensation and benefits that the executive would have received had the termination not occurred. These benefits also address the concern that the fear of job loss might influence the executive when considering strategic opportunities that may include a change in control of the Company. The specific benefits to which Messrs. Rigby and Torgerson are entitled are described in detail under the heading "Termination of Employment and Change in Control Benefits" below.

The Company also maintains a Change-in-Control Severance Plan in which 53 executives currently participate. Under this plan, which is described under the heading "Termination of Employment and Change in Control Benefits" below, if, within one year following a change in control, a participating executive's employment is terminated by the Company without "cause" or is terminated by the executive for "good reason," the executive will be entitled to termination benefits similar to those described above for executives with employment agreements, except with a severance payment equal to 1.5, 2 or 3 times the salary of the affected executive depending upon the executive's position. The purpose of the plan is to ensure that the participating executives are able to stay focused on their responsibilities to the Company in a change in control situation and are not distracted by the uncertainty of their continued employment. Messrs. Barry and Velazquez are participants in the Change-in-Control Severance Plan.

Employment Agreements and Compensation Arrangements

In July 2007, the Company entered into an employment agreement with Mr. Wraase, which is described in greater detail under the heading "Employment Agreements" below. In 2008, the employment agreement was amended to extend the termination date from April 1, 2009, Mr. Wraase's normal retirement age, to June 1, 2009, in order to provide for the orderly transition to a successor chief executive officer at the time of the 2009 Annual Meeting in May.

In July 2008, the Company entered into a new employment agreement with Mr. Rigby, which is described in greater detail under the heading "Employment Agreements" below. The new employment agreement replaces the employment agreement that Mr. Rigby entered into in 2002. Other than extending the term of Mr. Rigby's employment and the inclusion of provisions to comply with Section 409A of the Internal Revenue Code, the new agreement is unchanged from Mr. Rigby's existing agreement. The term of the new agreement is for three years, and beginning on August 1, 2010, and each August 1 thereafter, will automatically extend for one additional year, unless either the Company or Mr. Rigby elects not to extend the term.

Deductibility of Executive Compensation Expenses

Under Section 162(m) of the Internal Revenue Code, a public company is prohibited from deducting for federal income tax purposes compensation in excess of $1 million paid to the Company's principal executive officer and the Company's three highest compensated executive officers (other than the principal executive officer or the principal financial officer), except that this prohibition does not apply to compensation that qualifies as "performance-based compensation." Under the LTIP, which has been approved by the Company's shareholders, the vesting of shares of Performance Stock is contingent on the achievement of pre-established performance objectives, and accordingly such awards qualify as performance-based compensation, unless the Committee were to alter the performance objectives after the commencement of the performance period or were to exercise its discretion to pay an award notwithstanding that the specified performance objectives were not satisfied. There may be circumstances where the Committee determines that it is in the best interests of the Company to take either of such actions with respect to one or more awards, even though the result may be a loss of a tax deduction for the compensation.

The issuance of shares of Restricted Stock under the LTIP does not qualify as performance-based compensation because the awards vest on the basis of continued employment, rather than pre-established performance objectives. Because the EICP has not been approved by shareholders, awards under the plan cannot qualify as performance-based compensation even when the payment of awards under the plan is based on the achievement of pre-established performance objectives.

Stock Ownership Requirements

To further align the financial interests of the Company's executives with those of the shareholders, the Board of Directors in 2005 adopted stock ownership requirements for officers of the Company. The requirements, which are expressed as a multiple of salary, are a function of the executive's seniority:

Chief Executive Officer, President	5 times salary
Executive Vice President, Vice Chairman	3 times salary
Senior Vice President	2 times salary
Vice President	1 times salary

Each officer has until December 31, 2010, or five years from the date of his election as an officer, whichever is later, to achieve the required ownership level. An individual who is appointed as an officer or is promoted to a position with a higher stock ownership requirement has five years from the date of appointment or promotion to achieve the applicable stock ownership level. Shares of common stock owned through the Retirement Savings Plan, unvested shares of Restricted Stock, and the number of shares of common stock corresponding to the target level of the executive's unearned Performance Stock awards are considered owned by the executive for the purpose of meeting the ownership requirement. The Company does not have a policy with respect to hedging the economic risk of shares that the officer is required to own. Messrs. Wraase and Torgerson each satisfied the required level of stock ownership as of the date of the Company's 2008 proxy statement. Because of the significant decline in the market value of the common stock, neither currently satisfies the requirement.
Mr. Rigby, who was promoted to President on March 15, 2008, met the stock ownership requirement of his prior position at the time of promotion and has until March 15, 2013 to meet his new requirement. Mr. Velazquez, who was promoted to his current position on March 1, 2009, was not previously subject to a stock ownership requirement and has until March 1, 2014 to meet his requirement. Mr. Barry, whose employment commenced in September 2007, has until September 5, 2012 to meet his requirement.

EXECUTIVE COMPENSATION

The following table sets forth compensation information for the Company's (i) principal executive officer, (ii) principal financial officer and (iii) its three other most highly compensated executive officers employed as of December 31, 2008, determined on the basis of their total compensation for 2008 (excluding the amounts under the heading "Change in Pension Value and Nonqualified Deferred Compensation Earnings" in the table below). The information in this table includes compensation paid by the Company or its subsidiaries.

2008 SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus	Stock Awards (10)	Option Awards	Non-Equity Incentive Plan Compensation (11)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (12)	All Other Compensation (13)	Total Compensation
Dennis R. Wraase	2008	$1,076,000	$0	$2,787,590	0	$ 968,400	$4,829,476	$351,894	$10,013,360
Chairman (14)	2007	1,026,941	0	1,438,682	0	1,127,500	4,656,627	284,189	8,533,939
	2006	950,000	0	1,280,884	0	0	2,462,563	228,103	4,921,550
Joseph M. Rigby	2008	659,375	0	468,781	0	356,063	513,827	117,423	2,115,469
President and Chief Executive	2007	509,044	0	324,256	0	335,500	134,856	103,718	1,407,374
Officer (15)	2006	412,500	0	288,480	0	0	38,805	76,860	816,645
Paul H. Barry	2008	518,000	0	351,403	0	279,720	23,328	164,166	1,336,617
Senior Vice President and Chief Financial Officer (16)	2007	161,932	0	45,894	0	106,007	1,944	51,435	367,212
William T. Torgerson	2008	558,000	0	628,350	0	301,320	1,889,924	131,910	3,509,504
Vice Chairman and Chief Legal	2007	538,017	0	435,387	0	579,960	733,283	143,354	2,430,001
Officer	2006	512,000	0	478,237	0	0	698,459	128,393	1,817,089
David M. Velazquez (17)	2008	341,000	0	211,287	0	289,100	83,241	60,377	985,005
Executive Vice President									

(10) Represents for each year the dollar amount of expense recognized by the Company for financial statement reporting purposes in that year, as determined in accordance with Financial Accounting Standard 123R, with respect to shares of Restricted Stock and Performance Stock awards (but, in the case of the Restricted Stock awards, excluding from the calculation estimated forfeitures) made to the executive under the LTIP in that year and in prior years. For a further description of these awards, see the discussion under the heading "Long-Term Incentive Plan Awards" below. The amount of the annual expense for the Restricted Stock awards was determined by dividing the market value of the shares as of the date of the grant by the number of years required for the vesting of the award. The amount of annual expense for the Performance Stock awards was determined by allocating over the years covered by the performance cycle the market value on the award date of the number of shares the Company anticipates will be earned based on projected performance relative to the pre-established performance targets (net of forfeitures ranging from a rate of 14.96% to 18.76% depending on the particular performance cycle). The amounts shown for 2006 and 2007 differ from the amounts shown in the 2008 Proxy Statement due to the correction of an erroneous assumption regarding the use of award shares to satisfy tax withholding obligations, which resulted in an understatement of the amount of compensation expense for those years.

(11) See the description of the EICP following the 2008 Grants of Plan-Based Awards table below.

(12) Consists of the sum of (i) the aggregate annual increase in the actuarial present value of the executive's accumulated benefits under all deferred benefit and actuarial pension plans and (ii) if applicable, "above-market earnings" (as defined by SEC regulations) on non-tax-qualified deferred compensation plans. Of the

executives listed in the table, only Mr. Wraase ($16,339, $14,209, and $12,355, for 2008, 2007 and 2006, respectively) and Mr. Torgerson ($13,721, $11,931, and $10,375, for 2008, 2007 and 2006, respectively) received such above market earnings. See the discussion under the heading "Deferred Compensation Plans — Pepco Director and Executive Deferred Compensation Plan" below.

(13) The totals shown in this column for 2008 consist of:

(a) Dividends paid on unvested shares of Restricted Stock held by the executive: Mr. Wraase — $85,235; Mr. Rigby — $22,410; Mr. Barry — $11,361; Mr. Torgerson — $22,490; and Mr. Velazquez — $8,001. For a further description of these payments, see "Long-Term Incentive Plan Awards — Restricted Stock Program" below.

(b) The market value on December 31, 2008, of additional shares of common stock (calculated by multiplying the number of shares by the closing market price on December 31, 2008, the last trading day of the year) issued to the executive equal to the number of shares that the executive would have owned on December 31, 2008 had the number of shares earned by the executive for the 2006-2008 Performance Stock award cycle under the LTIP been issued to the executive on January 1, 2006, the commencement date of the performance cycle, and had the dividends on such shares (and the reinvestment shares) been invested in additional shares of common stock: Mr. Wraase — $190,641; Mr. Rigby — $40,134; Mr. Barry — $0; Mr. Torgerson — $51,375; and Mr. Velazquez — $7,945. For a further description of these payments, see "Long-Term Incentive Plan Awards — Performance Stock Program" below.

(c) Company-paid premiums on a term life insurance policy: Mr. Wraase — $2,395; Mr. Rigby — $1,463; Mr. Barry — $1,156; Mr. Torgerson — $1,244; and Mr. Velazquez — $742.

(d) Company matching contributions under the Retirement Savings Plan: Mr. Wraase — $10,350; Mr. Rigby — $10,350; Mr. Barry — $10,350; Mr. Torgerson — $10,350; and Mr. Velazquez — $10,350.

(e) Company matching contributions on deferred compensation: Mr. Wraase — $34,004; Mr. Rigby — $14,678; Mr. Barry — $8,218; Mr. Torgerson — $10,818; and Mr. Velazquez — $4,879. For a further discussion, see "Deferred Compensation Plans — PHI Executive and Director Deferred Compensation Plan."

(f) Tax gross-up payments of $97,922 made to Mr. Barry on the amount shown under the heading "Reimbursement of Employment Transition Expenses" in the table to note (g) below.

(g) The following perquisites and other personal benefits (all amounts shown reflect cash payments made by the Company, except as otherwise stated)

Name	Company Car(i)	Auto Allowance(ii)	Parking	Tax Preparation Fee	Financial Planning Fee	Executive Physical Fee	Club Dues	Spousal Travel	Reimbursement of Employment Transition Expenses(iii)
Dennis R. Wraase	$ 8,590	$ 0	$2,400	$2,300	$ 9,620	$270	$4,677	$1,412	$ 0
Joseph M. Rigby	0	11,700	2,400	2,300	9,620	800	1,232	336	0
Paul H. Barry	0	11,700	2,400	2,300	17,271	0	1,488	0	97,922
William T. Torgerson	10,173	0	2,400	2,300	9,620	265	8,030	2,845	0
David M. Velazquez	0	11,700	0	0	15,960	800	0	0	0

(i) Consists of lease and registration costs paid by the Company and variable costs, including gasoline, service and parts.

(ii) Consists of a nonaccountable expense allowance to compensate executives who are not provided with a Company car.

(iii) Consists of reimbursement of Mr. Barry's housing, meals and transportation costs incurred prior to the relocation of his residence following his employment by the Company.

In addition, in 2008, Company-leased entertainment venues and Company-purchased tickets to sporting and cultural events were made available to employees, including the executive officers listed in the Summary Compensation Table, for personal use when not being used by the Company for business purposes. There was no incremental cost to the Company of providing these benefits.

(14) Mr. Wraase served as Chief Executive Officer through February 28, 2009.

(15) Mr. Rigby was elected Chief Executive Officer effective March 1, 2009.

(16) Mr. Barry became an employee of the Company on September 5, 2007.

(17) Mr. Velazquez did not meet the requirements for inclusion in the Summary Compensation Table in 2006 or 2007.

Employment Agreements

The Company has an employment agreement with each of Messrs. Wraase, Rigby and Torgerson.

- Mr. Wraase's agreement provides for his employment until June 1, 2009.
- Mr. Rigby's agreement provides for his employment through August 1, 2011, and will automatically extend for one year on each August 1 commencing August 1, 2010, unless either the Company or Mr. Rigby gives notice that it will not be so extended.
- Mr. Torgerson's agreement provides for his employment until his normal retirement date under the Company's defined benefit retirement plan of June 1, 2009.

Each executive's employment agreement, provides for

- An annual salary in an amount, in the case of Mr. Wraase, not less than his base salary in effect on July 26, 2007, and in the cases of Messrs. Rigby and Torgerson, not less than his base salary in effect as of August 1, 2002, with the condition that, if at any time during the term of the agreement the annual base salary of the executive is increased, it may not subsequently be decreased during the remainder of the term of the agreement.
- Incentive compensation as determined by the Board of Directors under plans applicable to senior executives of the Company.
- Participation, in a manner similar to other senior executives, in retirement plans, fringe benefit plans, supplemental benefit plans and other plans and programs provided by the Company for its executives or employees.
- As more fully described below under the heading "Termination of Employment and Change in Control Benefits," various payments and other benefits in connection with the termination of the executive's employment.

Mr. Barry is an employee at will. In connection with his employment by the Company in September 2007, the Company entered into a letter of employment with Mr. Barry, which provides for the following:

- An annual base salary in the amount of $500,000, which is reviewed annually.
- Participation in the Company's EICP and LTIP on the same basis as other similarly situated executives prorated for time of service.
- Participation in (i) the Pepco Holdings Retirement Plan in accordance with its terms and (ii) the Supplemental Executive Retirement Benefit Structure, under which he will receive three additional years of credited service after completing five years of employment and an additional three years of credited service after completing ten years of employment.

- Participation in the Company's perquisites program.
- Participation in the Company's Change-in-Control Severance Plan at a level that provides for payment in the amount of three times salary and bonus if employment terminates as the result of a change in control of the Company.
- Reimbursement for relocation expenses, including a gross-up for any taxes incurred on amounts reimbursed.

Relationship of Salary and Bonus to Total Compensation

The following table sets forth the 2008 salary of each of the executive officers listed in the Summary Compensation Table as a percentage of the executive's Total Compensation, as set forth in the Summary Compensation Table:

Name	Salary as a Percentage of Total Compensation
Dennis R. Wraase	10.7%
Joseph M. Rigby	31.2%
Paul H. Barry	38.8%
William T. Torgerson	15.9%
David M. Velazquez	34.6%

The lower percentage for Mr. Wraase evidences in substantial part the higher at-risk component of his total compensation and the modification of his pension benefits in 2007.

2008 Incentive Compensation Awards

2008 GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards: Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards: Threshold Number of Shares	Target Number of Shares	Maximum Number of Shares	All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock and Options Awards (18) ($)
Dennis R. Wraase									
Executive Incentive Compensation Plan	1-24-08	$0	$1,076,000	$1,936,800					
LTIP—Restricted Stock Program	1-24-08							24,283	$ 615,817
LTIP—Performance Stock Program	1-24-08				0	48,567	97,134		1,231,659
Joseph M. Rigby									
Executive Incentive Compensation Plan	1-24-08	0	395,625	712,125					
LTIP—Restricted Stock Program	1-24-08							6,770	171,687
LTIP—Performance Stock Program	1-24-08				0	13,541	27,082		343,400
Paul H. Barry									
Executive Incentive Compensation Plan	1-24-08	0	310,800	559,440					
LTIP—Restricted Stock Program	1-24-08							5,845	148,229
LTIP—Performance Stock Program	1-24-08				0	11,690	23,380		296,458
William T. Torgerson									
Executive Incentive Compensation Plan	1-24-08	0	334,800	602,640					
LTIP—Restricted Stock Program	1-24-08							6,297	159,692
LTIP—Performance Stock Program	1-24-08				0	12,593	25,186		319,358
David M. Velazquez									
Executive Incentive Compensation Plan	1-24-08	0	204,600	368,280					
LTIP—Restricted Stock Program	1-24-08							3,271	82,953
LTIP—Performance Stock Program	1-24-08				0	6,541	13,082		165,880

(18) Represents the grant date fair value, as determined in accordance with Financial Accounting Standard 123R, of shares of Restricted Stock granted under the Restricted Stock Program and Performance Stock awards under the Performance Stock Program. The value of the shares of Restricted Stock has been calculated by multiplying the number of shares granted by the closing price for the common stock on the grant date. The value of the Performance Stock awards has been calculated by multiplying the target number of shares that the executive is entitled to earn by the closing price for the common stock on the grant date.

Executive Incentive Compensation Plan Awards

Under the EICP, participating executives are entitled to receive annual cash bonuses to the extent performance goals established by the Compensation/Human Resources Committee are achieved. The performance goals can consist entirely, or be a combination, of (i) performance objectives for the Company as a whole, (ii) performance objectives for a particular business unit or (iii) individual performance objectives. In making awards under the EICP, the Compensation/Human Resources Committee takes into account actual performance relative to the performance goals as well as any other factors that the Committee considers relevant. Under the EICP as in effect for 2008, each of the executive officers listed in the Summary Compensation Table had the opportunity to earn a cash bonus of between 0% and 180% of the following percentage of his 2008 base salary: Mr. Wraase: 100%; and Messrs. Rigby, Barry, Torgerson and Velazquez: 60%.

The performance goals in 2008 for Messrs. Wraase, Rigby, Barry and Torgerson consisted entirely of corporate performance goals. These goals were: (i) Company net earnings relative to budgeted net earnings of $317 million (40%), (ii) Company free cash flow relative to budgeted free cash flow in the negative amount of $504.7 million (25%), (iii) utility customer satisfaction as measured by the results of customer surveys and other performance metrics (15%), (iv) diversity as measured by the attainment of, or good faith efforts toward, the attainment of established affirmative action goals (10%) and (v) safety as measured by the absence of fatalities and the number of recordable injuries and fleet accidents (10%). Free cash flow is defined as net cash flow from operating activities and proceeds from asset dispositions minus capital expenditures and dividend payments.

The performance goals for Mr. Velazquez consisted entirely of Conectiv Energy performance goals. These goals were: (i) Conectiv Energy net earnings relative to budgeted net earnings of $86 million (60%); (ii) capital spending that is within or below the budgeted capital spending of $155 million (10%); (iii) on dispatch performance of the Conectiv Energy power plants relative to the annual plan (10%); (iv) safety as measured by the absence of fatalities and the number of recordable injuries and fleet accidents (10%) and (v) diversity as measured by the attainment of, or good faith efforts toward, the attainment of established affirmative action goals (10%).

These 2008 award opportunities are shown in the above table under the heading "Estimated Future Payouts Under Non-Equity Incentive Plan Awards," with the threshold representing overall performance at the 50% level (meaning no award is made if performance is below the 50% level relative to the target), the target amount representing overall performance at the 100% level, and the maximum amount representing overall performance at or above the 180% level. For a discussion of the impact of the retirement of each of Messrs. Wraase and Torgerson in 2009 on these awards, see the discussion below under the heading "Termination of Employment and Change in Control Benefits."

Based on 2008 performance, the executive officers listed in the Summary Compensation Table received the following awards under the EICP:

- Messrs. Wraase, Rigby, Barry and Torgerson received awards at the 90% level. This was based on the combination of (i) Company net earnings relative to budgeted net earnings below the target level, (ii) Company free cash flow relative to budgeted free cash flow significantly in excess of the target level, (iii) performance with respect to customer satisfaction below the minimum level, (iv) performance with respect to diversity at the target level, and (v) performance with respect to recordable injuries exceeding target and fleet accidents at the minimum level.
- Mr. Velazquez received an award at the 141.3% level based on the combination of Conectiv Energy earnings relative to budgeted net earnings, capital spending relative to budgeted capital spending, on dispatch performance and safety all significantly exceeding targets, with diversity slightly below target.

Long-Term Incentive Plan Awards

In January 2008, the Compensation/Human Resources Committee established award opportunities pursuant to the Performance Stock Program and made awards of Restricted Stock pursuant to the Restricted Stock Program to each of the executive officers listed in the Summary Compensation Table.

Performance Stock Program. The award opportunities established under the Performance Stock Program, which account for two-thirds of each participant's aggregate 2008 LTIP award opportunity, relate to performance over a three-year period beginning in 2008 and ending in 2010.

- For Messrs. Wraase, Rigby, Barry and Torgerson, 75% of their award opportunity is based on a Company earnings per share goal and 25% of their award opportunity is based on a Company free cash flow per share goal.
- Mr. Velazquez's award opportunity will be prorated. For the period he served as Conectiv Energy's President and Chief Executive Officer, 37.5% of his award opportunity will be based on a Company earnings per share goal, 37.5% will be based on Conectiv Energy's earnings goal, 12.5% will be based on a Company free cash flow per share goal and 12.5% will be based on a Conectiv Energy free cash flow goal. As a result of his promotion in March 2009, the remainder of his award opportunity will be the same as the other NEOs listed above.

The following table sets forth the performance targets for each year in the three-year period.

	2008	2009	2010
Company			
Earnings per share	$ 1.60	$ 1.67	$ 1.75
Free cash flow per share	$(1.35)	$ (2.43)	$(2.35)
Conectiv Energy Business Unit			
Earnings (in millions)	$ 76.3	$ 79.7	$ 83.3
Free cash flow (in millions)	$(26.9)	$(112.1)	$(25.1)

The earnings targets exclude extraordinary items and gains or losses relating to matters that are not reflective of the Company's ongoing business. Free cash flow is defined as net income available for common stock dividends, plus depreciation and amortization, plus or minus changes in working capital and minus capital expenditures. Free cash flow per share is calculated by dividing free cash flow by the weighted average number of outstanding shares of common stock during the year.

These award opportunities are shown in the above table under the heading "Estimated Future Payouts Under Equity Incentive Plan Awards," with the threshold number of shares for Messrs. Wraase, Rigby, Barry and Torgerson representing performance at 90% of the target level, the target number of shares representing performance at the target level, and the maximum number of shares representing performance at or above 115% of the target level. For Mr. Velazquez, the threshold number of shares represents performance at 80% of the target level, the target number of shares represents performance at the target level, and the maximum number of shares represents performance at or above 120% of the target level. The award that the executive earns at the end of the three-year performance period is equal to the average of the award percentage for each of the three years, with the award percentage for performance below the threshold target level being zero and the maximum award percentage for performance above the target being 200%. If, however, during the course of the three-year performance period, a significant event occurs, as determined in the discretion of the Compensation/Human Resources Committee, that the Committee expects to have a substantial effect on a performance objective during the period, the Committee may revise performance targets. If at the end of the three-year performance period shares are earned, the executive also will be entitled to receive additional shares of common stock equal to the number of shares that the executive would have owned at the end of the performance period had the cash dividends that would have been paid during the performance period on a number of shares equal to the number of shares earned been reinvested in additional shares of common stock. For a discussion of the impact of the retirement of each of Messrs. Wraase and Torgerson in 2009 on their entitlement to awards under the Performance Stock Program, see the discussion below under the heading "Termination of Employment and Change in Control Benefits."

<u>Restricted Stock Program</u>. Under the Restricted Stock Program, each of the executive officers listed in the Summary Compensation Table received a grant of shares of Restricted Stock, which accounts for one-third of the executive's aggregate 2008 LTIP award opportunity. The entire award of shares of Restricted Stock, which are shown in the above table under the heading "All Other Stock Awards: Number of Shares of Stock or Units," are subject to forfeiture if the employment of the executive terminates before January 22, 2011, except that, unless the Committee determines otherwise, and subject to any contrary provision in the executive officer's employment agreement (see "Termination of Employment and Change in Control Benefits — Employment Agreements" below), in the event of death, disability or retirement of the executive or if the employment of the executive is terminated or the executive terminates his employment for "good reason" following a "change in control" (see "Termination of Employment and Change in Control Benefits — Long-Term Incentive Plan" below), the award is prorated to the date of termination. During the vesting period, the executive has all rights of ownership with respect to the shares, including the right to vote the shares and the right to receive dividends on the shares. The executive is entitled to retain the dividends paid whether or not the shares vest. For a discussion of the impact of the retirement of each of Messrs. Wraase and Torgerson in 2009 on their entitlement to awards under the Restricted Stock, see the discussion below under the heading "Termination of Employment and Change in Control Benefits."

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2008

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (Exercisable)	Number of Securities Underlying Unexercised Options (Unexercisable)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (19)	Market Value of Shares or Units of Stock That Have Not Vested (20)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (21)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (20)
Dennis R. Wraase									
Awarded 1-24-08						24,283	$431,266	97,134	$1,725,100
Awarded 1-25-07						26,154	464,495	104,630	1,858,299
Awarded 1-26-06						28,484	505,876	113,934	2,023,468
Awarded 1-1-01	48,000	0	0	$24.59	12-31-10				
Joseph M. Rigby									
Awarded 1-24-08						6,770	120,235	27,082	480,976
Awarded 1-25-07						6,060	107,625	24,244	430,573
Awarded 1-26-06						5,997	106,507	23,986	425,991
Paul H. Barry									
Awarded 1-24-08						5,845	103,807	23,380	415,229
Awarded 9-5-07						4,674	83,010	18,700	332,112
William T. Torgerson									
Awarded 1-24-08						6,297	111,835	25,186	447,303
Awarded 1-25-07						6,851	121,674	27,408	486,766
Awarded 1-26-06						7,676	136,326	30,702	545,268
Awarded 1-1-01	30,000	0	0	24.59	12-31-10				
David M. Velazquez									
Awarded 1-24-08						3,271	58,093	13,082	232,336
Awarded 1-25-07						2,501	44,418	10,004	177,671
Awarded 1-26-06						1,187	21,081	4,750	84,360

(19) Consists of awards made pursuant to the Restricted Stock Program under the LTIP. All awards vest on the third anniversary of the grant date, if the employee is employed by the Company on that date, subject to the acceleration of vesting under certain circumstances as described below under the heading "Termination of Employment and Change in Control Benefits."

(20) Calculated by multiplying the number of shares shown in the adjacent preceding column by $17.76, the closing market price on December 31, 2008, the last trading day of the year.

(21) Consists of awards made pursuant to Performance Stock Program under the LTIP. For a discussion of the vesting provisions of the 2008 awards, see the description of the Performance Stock Program under the heading "Long-Term Incentive Plan Awards — Performance Stock Program" above. The awards made in 2007 and 2006 entitle the participating executive to earn shares of common stock to the extent the pre-established performance objectives are satisfied for, as indicated, either (i) the three-year performance period beginning on January 1, 2007, and ending on December 31, 2009, or (ii) the three-year performance period beginning on January 1, 2006, and ending on December 31, 2008. The performance objectives for Messrs. Wraase, Rigby, Barry and Torgerson are based 75% on an earnings per share growth target and 25% on a free cash flow per share target. The performance objectives for Mr. Velazquez are based 37.5% on the Company's earnings per share growth target, 12.5% on the Company's free cash flow per share target, 37.5% on the Conectiv Energy Services business unit's earnings and 12.5% on the Conectiv Energy Services business unit's free cash flow. A participant is eligible to earn a number of shares of common stock ranging from 0% to 200% of the target performance award depending on the extent to which the performance objective is achieved. The performance objective was fixed at the time the awards were made; however, if during the course of the performance period, a significant event occurs, as determined in the sole discretion of the Compensation/Human Resources Committee, that the Committee expects to have a substantial effect on total shareholder return during the period, the Committee may revise the targeted performance objective. The shares of common stock earned by a participant will be fully vested on the date the performance award is earned. The number in the table reflects the number of shares that would be earned if the maximum level of performance is achieved.

2008 OPTION EXERCISES AND STOCK VESTED

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise (22)	Number of Shares Acquired on Vesting (23)	Value Realized on Vesting (24)
Dennis R. Wraase	21,843	$14,253	83,758	$1,372,016
Joseph M. Rigby	0	0	17,634	288,858
Paul H. Barry	0	0	0	0
William T. Torgerson	21,843	14,253	22,572	369,745
David M. Velazquez	0	0	3,686	60,274

(22) Calculated by aggregating with respect to all of the options exercised the amount by which the closing market price of the common stock on the date of exercise exceeded the option exercise price.

(23) Shares earned for the 2006 to 2008 Performance Stock award cycle and under the Restricted Stock Program under the LTIP.

(24) Represents the aggregate market value of the vested shares (calculated by multiplying the vested number of shares by the average of the high and low market prices of the common stock on the day prior to the vesting date).

Under the Performance Stock Program of the LTIP, participating executives, including each of the executive officers listed in the Summary Compensation Table (except Mr. Barry who was not employed by the Company until September 5, 2007), received awards of common stock for the three-year performance cycle ending December 31, 2008. In each case the amount of the awards was based on performance relative to target.

- The awards Messrs. Wraase, Rigby and Torgerson were entitled to earn each were based 75% on the Company's earnings per share and 25% on the Company's free cash flow per share, in each case relative to annual targets for these measures of performance for each year over the three-year term of the award. Each executive earned 85.4% of the target number of shares of common stock. This was based on Company earnings per share that on average were slightly below target and free cash flow per share that on average was significantly below target.
- The award Mr. Velazquez was entitled to earn was based (i) 37.5% on the Company's earnings per share and 12.5% on the Company's free cash flow per share and (ii) 37.5% on the earnings of the Conectiv Energy Services business unit and 12.5% on the free cash flow of the Conectiv Energy Services business unit, in each case relative to annual targets for these measures of performance for each year over the three-year term of the award. He earned 98.9% of the target number of shares of common stock. This was based on the Company earnings per share and free cash flow per share results described above and on the Conectiv Energy Services business unit earnings that on average were significantly above target and free cash flow that on average was significantly below target.

PENSION BENEFITS
AT DECEMBER 31, 2008

Name	Plan Name	Number of Years Of Credited Service (25)	Present Value of Accumulated Benefits (26)	Payments During Last Fiscal Year
Dennis R. Wraase	Pepco General Retirement Subplan	34 yrs., 11 mos.	$ 1,345,003	$0
	Executive Retirement Plan	39 yrs., 9 mos.(27)	11,140,633	0
	Supplemental Retirement Benefit	N/A	6,013,580	0
Joseph M. Rigby	Conectiv Cash Balance Subplan	29 yrs., 11 mos.	1,457,451	0
	Conectiv SERP	29 yrs., 11 mos.	1,446,684	0
Paul H. Barry	PHI Subplan	1 yr., 3 mos.	13,006	0
	Executive Retirement Plan	1 yr., 3 mos.	12,265	0
William T. Torgerson	Pepco General Retirement Subplan	26 yrs., 2 mos.	1,036,824	0
	Executive Retirement Plan	39 yrs., 7 mos.(27)	5,751,126	0
David M. Velazquez	Conectiv Cash Balance Subplan	26 yrs., 6 mos.	390,205	0
	Conectiv SERP	26 yrs., 6 mos.	59,733	0

(25) Number of years of service credited at December 31, 2008.

(26) Represents the actuarial present value, in the case of Messrs. Wraase, Rigby, Barry, Torgerson, and Velazquez, of the executive's accumulated pension benefit calculated as of December 31, 2008, assuming the executive retires at the earliest time he may retire under the applicable plan without any benefit reduction due to age. The valuation method and all material assumptions applied in calculating the actuarial present value are set forth in Note 10 to the Company's consolidated financial statements which are included in the Company's Annual Report to Shareholders attached as Annex B to this Proxy Statement.

(27) The additional years of credited service results in additional benefits with a present value of $878,592 for Mr. Wraase and $1,353,149 for Mr. Torgerson.

Retirement Plans

The Company's retirement plans consist of a tax-qualified defined benefit pension plan and two supplemental executive retirement plans.

Pepco Holdings Retirement Plan

The Pepco Holdings Retirement Plan consists of several subplans. Each of the executives listed in the Summary Compensation Table participates in the Pepco General Retirement Subplan, the Conectiv Cash Balance Subplan or the PHI Subplan.

Pepco General Retirement Subplan. All employees who were employed (i) by Pepco on August 1, 2002, the date of the merger of Pepco and Conectiv or (ii) by the Company in the Pepco service territory prior to December 31, 2004, are eligible to participate in the Pepco General Retirement Subplan. The plan provides participating employees who have at least five years of service with retirement benefits based on the participant's average salary for the final three years of employment and the number of years of credited service under the plan at the time of retirement. Normal retirement age under the Pepco General Retirement Subplan is 65. Participants who have reached age 55 and have at least 30 years of credited service are eligible for early retirement without any reduction in benefits. Participants who have reached age 55 and who have ten years of credited service are eligible for retirement benefits prior to normal retirement age, at a benefit level that is reduced from the benefit level at normal retirement age by 2% for each year that the early retirement date precedes the normal retirement date. Plan benefits are partially offset by the Social Security benefits received by the participant. Benefits under the plan are paid in the form of a monthly annuity selected by the participant from among several available annuity options. Messrs. Wraase and Torgerson are participants in the Pepco General Retirement Subplan. Mr. Wraase is eligible for retirement under the plan without any reduction in benefits and Mr. Torgerson is eligible for early retirement with reduced benefits. If Mr. Torgerson had retired on December 31, 2008, the actuarial present value of his retirement benefit under the Pepco General Retirement Subplan as of that date would have been $1,065,731; however, the additional supplemental retirement benefit he would be entitled to receive under the Supplemental Executive Retirement Benefit Structure of the Executive Retirement Plan, as described below, would fully offset the reduction in benefits that he would have incurred under the Pepco General Retirement Subplan by reason of his early retirement.

Conectiv Cash Balance Subplan. Most non-unionized employees who were employed (i) by Conectiv on August 1, 2002, or (ii) by the Company in the Conectiv service territory prior to December 31, 2004, are eligible to participate in the Conectiv Cash Balance Subplan, including Messrs. Rigby and Velazquez. The Conectiv Cash Balance Subplan is a cash balance pension plan. Under the plan, a record-keeping account in a participant's name is credited with an amount equal to a percentage, which varies depending on the participant's age at the end of the plan year, of the participant's total pay, consisting of base pay, overtime and bonuses. Also, participants in the Atlantic City Electric Retirement Plan, in which Mr. Rigby participated, and the Delmarva Retirement Plan, in which Mr. Velazquez participated, who had at least ten years of credited service as of December 31, 1998, the inception date of the Conectiv Cash Balance Subplan, are eligible to receive additional transition credits until the participant's combined years of service under the prior plan and the Conectiv Cash Balance Subplan total 35.

Participants employed on the inception date of the Conectiv Cash Balance Subplan were credited with an initial cash balance equal to the present value of their annuity benefits as of that date earned under the Atlantic City Electric Retirement Plan or the Delmarva Retirement Plan. Each participant's account balance is supplemented annually with interest credits equal to the prevailing 30-year U.S. Treasury bond rate. Benefits become vested after five years of service. When a participant terminates employment (regardless of age), the amount credited to his or her account, at the election of the participant, is converted into one of several actuarially equivalent annuities selected by the participant or is paid to the participant in a lump sum (which cannot exceed 6.5 times the participant's final average compensation). For 2008, Mr. Rigby had a Company credit percentage of 10%, and until December 31, 2013, receives an annual transition credit of 4%, of total pay. For 2008, Mr. Velazquez had a Company credit percentage of 9%, and until December 31, 2016, receives an annual transition credit of 3% of total pay.

The Conectiv Cash Balance Subplan also provides for certain "grandfathered" rights that existed under the Delmarva Retirement Plan and under the Atlantic City Electric Retirement Plan, which apply to employees who had either 20 years of credited service or had attained age 50 on or before January 1, 1999. Under these grandfathering provisions, employees who participated in the Delmarva Retirement Plan or the Atlantic City Electric Retirement Plan are assured a minimum retirement benefit calculated for all years of service up to the earlier of December 31, 2008, or retirement, according to their original benefit formula under the applicable plan. There is no Social Security offset under either the Delmarva Retirement Plan or the Atlantic City Electric Retirement Plan. Normal retirement age under both the Delmarva Retirement Plan and the Atlantic City Electric Retirement Plan is 65. Under the Delmarva Retirement Plan, participants who have reached age 55 and have at least 15 years of continuous service are eligible for retirement benefits prior to normal retirement age, at a reduced level of benefit that is a function of retirement age and years of service. Under the Atlantic City Electric Retirement Plan, participants who have reached age 55 and have at least five years of credited service are eligible for retirement without any reduction in the benefits they would be entitled to receive at normal retirement age.

Benefits under the Atlantic City Electric Retirement Plan are paid either in the form of a monthly annuity selected by the participant from among several available annuity options or in a lump sum of an actuarial equivalent amount. Benefits under the Delmarva Retirement Plan are payable only in the form of a monthly annuity selected by the participant from several actuarially equivalent annuity options. At the time of an employee's retirement, the benefit under the Delmarva Retirement Plan or the Atlantic City Electric Retirement Plan is compared to the employee's cash balance account under the Conectiv Cash Balance Subplan and the employee will receive whichever is greater. On December 31, 2008, the participants' grandfathered benefits under the Delmarva Retirement Plan or Atlantic City Electric Retirement Plan were frozen, and all future benefit accruals will be exclusively under the cash balance formula of the Conectiv Cash Balance Subplan.

In the case of Mr. Rigby, the present value of accumulated benefits under the Conectiv Cash Balance Subplan at December 31, 2008, as shown in the Pension Benefits table above, reflects the value of his grandfathered benefits under the Atlantic City Electric Retirement Plan, which exceeds the value of his accumulated benefits as otherwise calculated under the Conectiv Cash Balance Subplan. Mr. Rigby is not eligible for early retirement under the Atlantic City Electric Retirement Plan formula of the Conectiv Cash Balance Subplan. At December 31, 2008, the amount credited to his account under the Conectiv Cash Balance Subplan was $788,668. Had Mr. Rigby retired on that date, that balance, at his election, would have been converted into one of several actuarially equivalent annuities or would have been paid to him in a lump sum.

In the case of Mr. Velazquez, the present value of the accumulated benefits under the Conectiv Cash Balance Subplan at December 31, 2008, as shown in the Pension Benefits table above, reflects the value of his benefits under the Conectiv Cash Balance Subplan. Mr. Velazquez is eligible for terminated vested retirement under the provisions of the Conectiv Cash Balance Subplan. At December 31, 2008, the amount credited to his account under the Conectiv Cash balance Subplan was $390,205. Had Mr. Velazquez retired on that date, that balance, at his election, would have been converted into one of several actuarially equivalent annuities or would have been paid to him in a lump sum.

PHI Subplan. Persons who become employees of the Company on or after January 1, 2005 are eligible to qualify to participate in the PHI Subplan. The plan provides participating employees who are 21 years or older and have at least five years of service with retirement benefits based on the participant's average salary for the final five years of employment and the number of years of credited service under the plan at the time of retirement. Normal retirement age is 65. Participants who have reached age 55 and who have ten years of credited service are eligible for retirement benefits prior to normal retirement age, at a benefit level that is reduced from the benefit level at normal retirement age by 3% for each year that the early retirement date precedes the normal retirement date. A participant may retire with full benefits at age 62 and with 20 years of service. Benefits under the plan are paid in the form of a monthly annuity selected by the participant from among several available annuity options. Mr. Barry is a participant in the PHI Subplan, but is not currently vested because he has less than five years of service.

Executive Retirement Plan

The Executive Retirement Plan is a non-tax-qualified supplemental retirement plan. Eligibility to participate in the Executive Retirement Plan is determined by the Company's Chief Executive Officer (and, in the case of the Chief Executive Officer, by the Board of Directors). The following benefit structures make up the Executive Retirement Plan:

Supplemental Benefit Structure. Under provisions of the Internal Revenue Code, the level of a participant's pension benefit under a tax-qualified pension plan and the amount of compensation that may be taken into account in calculating that benefit are limited (the "Qualified Plan Limitations"). In addition, under the terms of the Pepco Holdings Retirement Plan, salary deferrals elected by the participant under the Company's deferred compensation plans (other than the participant's pre-tax contributions made under the Retirement Savings Plan) are not taken into account as compensation for purposes of calculating a participant's retirement benefit. If applicable, these provisions have the effect of reducing the participant's retirement benefit under the Pepco Holdings Retirement Plan relative to what the participant otherwise would be entitled to receive under the plan's benefit formula. If a participant's retirement benefits under the Pepco Holdings Retirement Plan are reduced by either or both of these limitations, the Company, under the Supplemental Benefit Structure, will pay a supplemental retirement benefit to the participant equal to the difference between (i) the participant's actual benefit under the Pepco Holdings Retirement Plan and (ii) what the participant would have received under the Pepco Holdings Retirement Plan (A) were the Qualified Plan Limitations not applicable and (B) had the deferred compensation earned by the executive that was excluded from the executive's compensation base used in determining retirement benefits under the Pepco Holdings Retirement Plan been included in the compensation base. The benefit under the Supplemental Benefit Structure vests under the same terms and conditions as the participant's retirement benefits under the Pepco Holdings Retirement Plan. Messrs. Wraase, Torgerson and Barry are participants in the Supplemental Benefit Structure. The purpose of the Supplemental Benefit Structure is to enable participants to receive the full retirement benefits they would be entitled to receive under the Pepco Holdings Retirement Plan were it not for the Qualified Plan Limitations and had the participant not elected to defer the receipt of a portion of the participant's compensation.

Supplemental Executive Retirement Benefit Structure. Under the Supplemental Executive Retirement Benefit Structure, a participating executive whose employment by the Company terminates on or after age 59 for any reason other than death (or prior to age 59, if such termination follows a change in control of the Company) is entitled to a supplemental retirement benefit equal to the difference between (i) the executive's actual benefit under the Pepco Holdings Retirement Plan and his supplemental benefits under the Supplemental Benefit Structure and the Executive Performance Supplemental Retirement Benefit Structure (as described below) and (ii) what the executive would have received had the executive been credited with the additional years of service provided for under the Supplemental Executive Retirement Benefit Structure. As of December 31, 2008, the additional years of service credited under the Supplemental Executive Retirement Benefit Structure to the executive officers listed in the Summary Compensation Table were: Mr. Wraase — 4 years, 10 months and Mr. Torgerson — 13 years, 5 months. No years of service credits have been made under the Supplemental Executive Retirement Benefit Structure since 1998. The Company has retained the plan primarily to preserve a mechanism that can be used by the Company, when hiring a new executive, to equate the Company's pension benefits with those of the executive's former employer and, if credits are made, to operate as a retention incentive because the benefits under the plan do not vest until age 59. In this regard, the Company, in connection with the employment of Mr. Barry, has agreed to credit him with three additional years of service after five years of employment and an additional three years of service after ten years of employment under the Supplemental Executive Retirement Benefit Structure.

Executive Performance Supplemental Retirement Benefit Structure. Under the Executive Performance Supplemental Retirement Benefit Structure, a participating executive whose employment by the Company terminates on or after age 59 for any reason other than death (or prior to age 59, if either (i) the executive had been designated as a recipient of this benefit prior to August 1, 2002, or (ii) such termination follows a change in control of the Company) is entitled to a supplemental retirement benefit equal to the difference between (i) the executive's actual benefit under the Pepco Holdings Retirement Plan and his supplemental retirement benefits under the Supplemental Benefit Structure and the Supplemental Executive Retirement Benefit Structure and (ii) what the executive would have received (A) had the average of the highest three annual incentive awards in the last five consecutive years been added to the executive's average salary over the final three years of his employment (without regard to any deferral of the receipt of the award by the executive) in calculating the executive's retirement benefit under the Pepco Holdings Retirement Plan and under the Supplemental Benefit Structure and the Supplemental Executive Retirement Benefit Structure, (B) had the benefits of the executive under the Pepco Holdings Retirement Plan and under the Supplemental Benefit Structure and the Supplemental Executive Retirement Benefit Structure not been reduced by the Qualified Plan Limitations and (C) had the deferred compensation earned by the executive that was excluded from the executive's compensation base used in determining retirement benefits under the Pepco Holdings Retirement Plan and under the Supplemental Benefit Structure and the Supplemental Executive Retirement Benefit Structure been included in the compensation base. The supplemental benefits provided by the Executive Performance Supplemental Retirement Benefit Structure allow a greater percentage of a participant's total compensation to be used in the calculation of the executive's pension benefit, which is advantageous to senior executives who typically receive a larger percentage of their total compensation in the form of incentive compensation. The Executive Performance Supplemental Retirement Benefit Structure also has had the effect of making the retirement benefits for participants in the Pepco General Retirement Subplan more comparable to the retirement benefits received by participants in the Conectiv Cash Balance Subplan, which takes into account bonuses in calculating retirement benefits. Of the executive officers listed in the Summary Compensation Table, only Messrs. Wraase and Torgerson have been designated as participants in the Executive Performance Supplemental Retirement Benefit Structure.

The benefits under the Executive Retirement Plan are payable in the form of a monthly annuity, except that if the employment of a participant terminates before age 59 following a change in control of the Company, the payments due under the Supplemental Executive Retirement Benefit Structure and Executive Performance Supplemental Retirement Benefit Structure will be paid in a lump sum amount equal to the present value of the annuity payments to which the participant otherwise would be entitled. If a participant in the Executive Retirement Plan is discharged by the Company because of misfeasance, malfeasance, dishonestly, fraud, misappropriation of funds, or commission of a felony, the participant's benefits under the plan will be forfeited.

Conectiv Supplemental Executive Retirement Plan

Under the Conectiv SERP, a participating executive's retirement benefit is calculated as it would be under the Conectiv Cash Balance Subplan (i) without giving effect to the Qualified Plan Limitations, (ii) if salary deferrals elected by the participant under the Company's deferred compensation plans (other than the participant's pre-tax contributions made under the Retirement Savings Plan) were taken into account as compensation for purposes of calculating a participant's retirement benefit in the year earned, rather than the year actually paid, and (iii) giving effect to any additional years of service credited to the executive in excess of the executive's actual years of service. The executive's benefit under the Conectiv SERP is the amount by which the Conectiv SERP benefit exceeds the executive's benefit under the Conectiv Cash Balance Subplan, calculated under the cash balance component or based on the executive's "grandfathered" benefit under the Atlantic City Electric Retirement Plan or the Delmarva Retirement Plan, as applicable. The benefit under the Conectiv SERP is payable at or beginning at the same time as, and in the same manner as, the benefits payable to the participant under the Conectiv Cash Balance Subplan. Only employees who were employed by Conectiv on August 1, 2002, are eligible to participate in the Conectiv SERP. Messrs. Rigby and Velazquez are participants in the Conectiv SERP. The primary purpose of the Conectiv SERP is to enable participating executives to receive the full retirement benefits they are entitled to receive under the Conectiv Cash Balance Plan without reduction due to Internal Revenue Code limits. If Messrs. Rigby and Velazquez had retired on December 31, 2008, the net present value of their retirement benefits as of that date under the Conectiv SERP would have been $782,842 and $59,733, respectively.

Wraase Supplemental Retirement Benefit

The Company, in consideration for the relinquishment by Mr. Wraase of certain other benefits, has agreed to provide Mr. Wraase with a supplemental retirement benefit. Under this arrangement, Mr. Wraase, commencing upon the termination of his employment, will receive a lifetime monthly supplemental retirement benefit, payable in cash, equal to (i) 1/12 of 65% of the sum of (A) his annual base salary rate in effect at the time of the termination of his employment and (B) the highest annual bonus received during the four calendar years preceding the year in which the termination of his employment occurs (the "Calculation Amount"), less the monthly retirement benefit he receives for that month under the Pepco Holdings Retirement Plan and the Executive Retirement Plan. If Mr. Wraase is survived by his spouse, his spouse is entitled to receive a lifetime monthly supplemental retirement benefit, payable in cash, equal to 75% of the Calculation Amount, less the monthly retirement benefit, if any, payable to her under the Pepco Holdings Retirement Plan and the Executive Retirement Plan.

NONQUALIFIED DEFERRED COMPENSATION AT DECEMBER 31, 2008

Name	Executive Contributions in Last Fiscal Year (28)	Registrant Contributions in Last Fiscal Year (29)	Aggregate Earnings in Last Fiscal Year (30)	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year End (31)
Dennis R. Wraase					
Pepco Director and Executive Deferred Compensation Plan	$ 0	$ 0	$ 153,680	$0	$1,048,565
PHI Executive and Director Deferred Compensation Plan	45,915	34,004	64,520	0	1,330,763
Joseph M. Rigby					
Conectiv Deferred Compensation Plan	0	0	(126,921)	0	1,654,612
PHI Executive and Director Deferred Compensation Plan	136,476	14,678	4,956	0	192,489
Paul H. Barry					
PHI Executive and Director Deferred Compensation Plan	31,720	8,218	(7,863)	0	36,997
William T. Torgerson					
Pepco Director and Executive Deferred Compensation Plan	0	0	116,940	0	779,598
PHI Executive and Director Deferred Compensation Plan	14,654	10,818	(43,402)	0	241,655
David M. Velazquez					
PHI Executive and Director Deferred Compensation Plan	6,584	4,879	67	0	11,529

(28) All amounts shown are included in the "Salary" column of the Summary Compensation Table for the year 2008, except that $83,875 of the amount shown for Mr. Rigby was included in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table for the year 2007.

(29) All amounts shown are included in the "All Other Compensation" column of the Summary Compensation Table for the year 2008.

(30) Includes the following amounts previously reported in the Company's Summary Compensation Table in years prior to 2008 as "above-market" earnings (as defined by Securities and Exchange Commission regulations) on deferred compensation: Mr. Wraase — $14,209 and Mr. Torgerson — $11,931.

(31) Includes the following amounts reported as compensation in the Company's Summary Compensation Table in years prior to 2008:

PHI Executive and Director Deferred Compensation Plan: Mr. Wraase — $711,680; Mr. Rigby — $41,394; Mr. Barry — $5,000; Mr. Torgerson — $142,650; and Mr. Velazquez — $0.

Conectiv Deferred Compensation Plan: Mr. Rigby — $21,468.

Deferred Compensation Plans

The Company maintains the following deferred compensation plans in which one or more of the executive officers listed in the Summary Compensation Table participate.

PHI Executive and Director Deferred Compensation Plan

Under the PHI Executive and Director Deferred Compensation Plan participating executives and directors are permitted to defer the receipt of all or any portion of the compensation to which they are entitled for services performed, including, in the case of executives, incentive compensation. In addition, to the extent an executive is precluded from making contributions to the Retirement Savings Plan, a tax-qualified 401(k) plan, due to limitations imposed by the Internal Revenue Code, the executive is entitled to defer under the plan an amount equal to the contribution the executive is prevented from contributing to the Retirement Savings Plan and receive an additional credit under the plan equal to the matching contribution, if any, that the Company would have made to the executive's account under the Retirement Savings Plan. Under the terms of the Retirement Savings Plan, employees can contribute to the Retirement Savings Plan up to 6% of their annual salary, with the Company matching 100% of the employee's contribution up to 3% of salary and 50% of any contributions in excess of 3% of salary up to 6% of salary.

Under the plan, the Company credits to each participant's account on a monthly basis an amount corresponding to, as elected by the participant, any or a combination of: (i) the interest at the prime rate that would have been paid on an amount equal to the participant's account balance, or (ii) an amount equal to the return that the participant would have earned had his or her account balance been invested in any one or a combination of the investment funds selected by the Compensation/Human Resources Committee or, in the case of directors only, had the account balance been deemed invested in the common stock. A participant may reallocate his account balance among these investment choices at any time.

The distribution to a participant of accrued balances under the plan commences, at the election of the participant, (i) if an executive, on the date of the commencement of payments under the tax-qualified defined benefit plan in which the executive is a participant, (ii) the calendar year following the year in which the participant reaches retirement age, (iii) when the participant's employment by the Company or service as a director ceases, (iv) when the participant's employment by the Company or service as a director ceases and the participant attains an age specified by the participant or (v) the date specified by the participant, which may not be earlier than the second calendar year following the year in which the deferrals occurred to which the distribution relates. Distributions may be made, at the election of the participant, either in a lump sum or in monthly or annual installments over a period of between two and fifteen years.

Eligibility of executives to participate in the plan is determined by the Company's Chief Executive Officer (and, in the case of the Chief Executive Officer, by the Board of Directors). Each of the executive officers listed in the *Summary Compensation Table* is eligible to participate in the plan. Each of the Company's non-employee directors also is eligible to participate in the plan.

Conectiv Deferred Compensation Plan

Prior to the merger of Pepco and Conectiv, Conectiv maintained the Conectiv Deferred Compensation Plan under which a participating executive was permitted to defer the receipt of all or any portion of the compensation to which the executive was entitled for services performed, including incentive compensation, and to receive employer matching credits on deferrals corresponding to contributions the executive was precluded from making to the Conectiv tax-qualified 401(k) plan due to limitations imposed by the Internal Revenue Code. On August 1, 2002, employee deferrals and matching employer credits under the plan were discontinued.

Pre-August 1, 2002, participant deferrals and employer matching contributions are credited to a deferred compensation account and are deemed invested, as elected by the executive, in any of the investment options available to participants under the Conectiv tax-qualified 401(k) plan as of August 1, 2002. A participant may reallocate his account balance among these investment choices at any time. Prior to August 1, 2002, employer matching contributions were credited to an employer matching account in the form of Conectiv common stock equivalents, which at the time of the merger were converted into common stock equivalents on which additional credits are made when cash dividends are paid on the common stock based on the number of shares that could be purchased with the cash dividend. Of the executive officers listed in the Summary Compensation Table, only Mr. Rigby maintains an account balance under the plan.

Distributions under the plan commence at a time selected by the executive at the time of deferral, provided the date specified by the executive may not be earlier than two years after the year in which a deferral occurs or later than the year in which the executive reaches age 70, and may be made in a lump sum or in equal installments over periods of five, ten or fifteen years, as selected by the executive. In the event of the termination of the executive's employment following a change in control, the committee responsible for the administration of the plan may in its discretion, after consultation with the executive, elect to distribute the executive's account balances in a lump sum, rather than in accordance with the distribution elections originally selected by the executive.

Pepco Director and Executive Deferred Compensation Plan

Of the executive officers listed in the Summary Compensation Table, only Messrs. Wraase and Torgerson are participants in the Pepco Director and Executive Deferred Compensation Plan. None of the Company's non-employee directors in 2008 are participants in the plan. Under the plan, participating executives were permitted to defer up to 15% of their salary earned between September 1, 1985 and August 31, 1989. In addition, the Board of Directors authorized the deferral by Mr. Wraase, in accordance with the terms of the plan, of his 1985 annual incentive award and his target 1986 annual incentive award. Under the plan, participant account balances attributed to salary are credited annually with an amount corresponding to a fixed interest rate of 15%, and Mr. Wraase's incentive deferrals are credited annually with an amount corresponding to a fixed interest rate of 12%, which in each case was fixed at the time of deferral. The distribution of the plan balances accumulated by Mr. Wraase and Mr. Torgerson will commence at age 65 and will be paid out over a 15-year period in substantially equal monthly installments.

Termination of Employment and Change in Control Benefits

The following is a description of the Company's plans and arrangements that provide for payments to the executive officers listed in the Summary Compensation Table, following or in connection with the termination of the executive's employment, a change in control of the Company, or a change in the executive's responsibilities.

Employment Agreements

The employment agreements of Messrs. Wraase, Rigby and Torgerson each provides the executive with specified benefits if the employment of the executive is terminated under various circumstances, as described below:

Mr. Wraase. The employment agreement of Mr. Wraase provides that upon the termination of his employment at any time and for any reason, including voluntary resignation or retirement, Mr. Wraase will be entitled to receive the following benefits:

- The supplemental retirement benefit described under the heading "Executive Retirement Plan — Wraase Supplemental Retirement Benefit."
- All unvested Restricted Stock Program awards under the LTIP will vest on June 1, 2009 regardless of whether Mr. Wraase is employed on that date.

- All outstanding Performance Stock Program awards under the LTIP will be pro-rated for the time Mr. Wraase was employed during the applicable performance period to the extent the pre-established performance objectives are achieved as determined at the end of the performance period.
- Tax preparation and planning services until his 70th birthday at the same level he was receiving such services at the time his employment terminated.

Messrs. Rigby and Torgerson. The employment agreements of Messrs. Rigby and Torgerson each provides the executive with specified benefits if the employment of the executive is terminated under any of the circumstances described below, whether or not such termination is connected with a change in control of the Company:

Termination by the Company Other Than for Cause. If at any time during the term of the executive's employment the Company terminates the executive's employment other than for cause ("cause" is defined as (i) intentional fraud or material misappropriation with respect to the business or assets of the Company, (ii) the persistent refusal or willful failure of the executive to perform substantially his duties and responsibilities to the Company after the executive receives notice of such failure, (iii) conduct that constitutes disloyalty to the Company and that materially damages the property, business or reputation of the Company, or (iv) the conviction of a felony involving moral turpitude), the executive will be entitled to:

- A lump sum severance payment equal to three times the sum of (i) the executive's highest annual base salary in effect at any time during the three-year period preceding the termination of employment and (ii) the higher of (A) the executive's annual bonus for the year in which the termination of employment occurs or (B) the highest annual bonus received by the executive during the three calendar years preceding the calendar year in which the termination of employment occurs.
- The executive's annual bonus for the year in which the termination occurs, if the Board of Directors, before the termination date, has made a good faith determination of the executive's bonus for the year, and otherwise a prorated portion (based on the number of days the executive was employed during the year) of the executive's target annual bonus for the year.
- Any shares under the Restricted Stock Program the vesting of which is contingent solely on the continued employment of the executive and that would have become vested had he remained employed for the remainder of the term of his employment agreement will become vested and non-forfeitable on the date the executive's employment terminates.
- Any shares under the Performance Stock Program that are the subject of an award the vesting of which is contingent on the achievement of specified performance goals during a performance period that ends within the term of the executive's employment agreement will become vested at the end of the performance period if and to the extent the performance goals are achieved.

In addition to the retirement benefits to which the executive is entitled under the Pepco Holdings Retirement Plan and the Company's supplemental retirement plans in which he participates, as more fully described under the heading "Retirement Plans" above, Messrs. Torgerson and Rigby each are entitled to receive a lump sum supplemental retirement benefit paid in cash equal to the difference between (i) the present value of the executive's vested retirement benefit accrued at the time of termination under the Pepco Holdings Retirement Plan and any excess or supplemental retirement plan in which the executive is a participant and (ii) the benefit the executive would be entitled to receive under the Pepco Holdings Retirement Plan and such excess and supplemental retirement plans assuming: (i) in the case of Mr. Torgerson that (A) his earnings for the benefit computation are equal to his annual base salary rate in effect immediately prior to his termination, plus the highest annual bonus awarded to him in any of the three years preceding his termination of employment or, if higher, his annual bonus for the year in which the termination occurs and (B) he is the age he would be at the end of the term of his employment agreement in effect at the time his employment terminates and has completed 40 years of service (or, if greater, the years of service that he would have reached at the end of the term of his employment agreement in effect at the time his employment terminates), and (ii) in the case of Mr. Rigby that he is three years older than his actual age and is credited with three additional years of service.

Voluntary Resignation by the Executive under Specified Circumstances. If, at any time during the term of the executive's employment agreement, the executive terminates his employment under any of the following circumstances, he will receive under his employment agreement the same benefits that he would have received had the Company terminated his employment without cause as described above: (i) the base salary of the executive is reduced (other than a reduction consistent and proportional with the overall reduction, due to extraordinary business conditions, in the compensation of all other senior executives of the Company), (ii) the executive is not in good faith considered for incentive awards under the Company's plans in which senior executives are eligible to participate, (iii) the Company fails to provide the executive with retirement, fringe and supplemental benefits in a manner similar to other senior executives, (iv) the Company relocates the executive's place of employment to a location further than 50 miles from Washington, D.C. (or, in the case of Mr. Rigby, a location further than 50 miles from Wilmington, Delaware, other than the Washington, D.C. metropolitan area) or (v) the executive is demoted to a position that is not a senior management position (other than due to the executive's disability).

Resignation or Termination Due to Disability or Death. Upon his resignation (other than under the specified circumstances discussed above) or upon his death or disability (which shall be deemed to have occurred if he becomes entitled to long-term disability benefits under the Company's disability plan or policy), the employment agreements provide that the executive will not be entitled to any benefits beyond those provided for under the terms of the Company benefit plans in which the executive participates.

Gross-up Payments. Each of the employment agreements also provides that, if any payments or benefits provided to the executive under his employment agreement, or under any other plan, program, agreement or arrangement of the Company, are determined to be payments related to a change in control within the meaning of Section 280G of the Internal Revenue Code, and as a result the executive incurs an excise tax under Section 4999 of the Internal Revenue Code, the executive will be entitled to receive a gross-up payment in an amount equal to the amount of all excise taxes imposed on compensation payable upon termination of employment and the additional taxes that result from such payment, such that the aggregate net payments received by the executive will be the same as they would have been had such excise tax not been imposed.

Change-in-Control Severance Plan

Under the Change-in-Control Severance Plan, if, within one year following a change in control, a participating executive's employment is terminated by the Company without "cause" or the executive terminates his or her employment for "good reason," the executive will be entitled to the following termination benefits:

- A severance payment equal to the sum of executive's salary and target annual bonus for the year in which the termination occurs, multiplied by a factor of 1.5, 2 or 3, depending upon the executive's position (a "Benefit Factor").
- A prorated portion (based on the number of days the executive was employed during the year) of the executive's target annual bonus for the year.
- A lump sum supplemental retirement benefit paid in cash equal to the difference between (i) the present value of the executive's vested retirement benefit accrued at the time of termination under the Pepco Holdings Retirement Plan and any excess or supplemental retirement plan in which the executive is a participant and (ii) the benefit the executive would be entitled to receive under such plans assuming that the executive was the number of years older and had been credited with the number of years of service equal to the executive's Benefit Factor.
- For a period of time equal to the executive's Benefit Factor, medical, dental, group life and disability benefits that generally are at least at a level substantially similar to the level in effect prior to the change in control.

- A gross-up payment in an amount equal to the amount of all excise taxes imposed upon compensation payable upon termination of employment and the additional taxes that result from such payment, such that the aggregate net payments received by the executive will be the same as they would have been had such excise tax not been imposed.

The receipt of the benefits under the Change-in-Control Severance Plan is contingent upon the execution by the employee of (i) a general release and a non-disparagement agreement and (ii) a covenant agreeing not to compete against the Company or solicit its employees, each in form and substance satisfactory to the Company. Of the executive officers named in the Summary Compensation Table, only Mr. Barry (with a Benefit Factor of 3) and Mr. Velazquez (with a Benefit Factor of 2) are participants in the Change-in-Control Severance Plan.

Long-Term Incentive Plan

Under the LTIP, if the employment of a recipient of an award is terminated by the Company or the recipient terminates his or her employment for "good reason" within 12 months following a "change in control," the recipient's outstanding awards under the LTIP will be affected as follows:

- A pro-rata portion of any Restricted Stock Program or restricted stock unit award that is subject to vesting contingent on the continued employment of the recipient ("service-based vesting") will become immediately vested based on the number of months of the restricted period that have elapsed as of the termination date.
- A pro-rata portion of any Performance Stock Program or restricted stock unit award that is subject to vesting contingent on the satisfaction of established performance criteria ("performance-based vesting") will become immediately vested based on the number of months of the restricted period that have elapsed as of the termination date and on the assumption that the target level of performance has been achieved.
- Any stock option or stock appreciation right not then exercisable will become immediately exercisable.

A "change in control" will occur under the terms of the LTIP if generally: (i) any person is or becomes the "beneficial owner" (as defined under SEC rules), directly or indirectly, of securities of the Company (excluding any securities acquired directly from the Company) representing 35% or more of the combined voting power of the Company's then outstanding securities, (ii) during any period of 12 consecutive months, the individuals who, at the beginning of such period, constitute the Company's Board of Directors cease for any reason other than death to constitute at least a majority of the Board of Directors, (iii) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior to the merger or consolidation continuing to represent at least 50% of the combined voting power of the voting securities of the Company or the surviving company, or (iv) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

Under the LTIP, a recipient of an award will have "good reason" to terminate his or her employment if, without the written consent of the recipient, any of the following events occurs following a "change in control": (i) the assignment to the recipient of any duties inconsistent in any materially adverse respect with his or her position, authority, duties or responsibilities in effect immediately prior to the change in control, (ii) there is a reduction in the recipient's base salary from that in effect immediately before the change in control, (iii) there is a material reduction in the recipient's aggregate compensation opportunity, consisting of base salary, bonus opportunity, and long-term or other incentive compensation opportunity, (iv) the Company requires the recipient to be based at any office or location more than 50 miles from that location at which he or she performed his or her services immediately prior to the occurrence of the change in control, or (v) any successor company fails to agree to assume the Company's obligations to the recipient under the LTIP.

If the employment of a recipient of a Restricted Stock Program or Performance Stock Program award terminates because of retirement, early retirement at the Company's request, death or disability prior to vesting, the payout of the award will be prorated, in the case of an award subject to service-based vesting, for service during the performance period and, in the case of an award subject to performance-based vesting, taking into account factors including, but not limited to, service and the performance of the participant before employment ceases, unless the Compensation/Human Resources Committee determines in either case that special circumstances warrant modification of the payment to which the participant is entitled. If the employment of a recipient of a Restricted Stock Program or Performance Stock Program award terminates for any other reason, the award is forfeited, except in the case of early retirement at the request of the participant, in which case the payout or forfeiture is at the discretion of the Compensation/Human Resources Committee.

If employment of the holder of a stock option terminates because of retirement, early retirement, death or disability, the option will remain exercisable for the remainder of its term, unless the Compensation/Human Resources Committee determines that special circumstances warrant modification of this result. Otherwise, the option will lapse on the effective date of the holder's termination of employment.

In the case of Messrs. Wraase, Rigby and Torgerson, the application of the provisions of the LTIP governing the disposition of awards in connection with a termination of employment is superseded by the provisions of the executive's employment agreement, as more fully described above under the heading "Termination of Employment and Change in Control Benefits — Employment Agreements."

Executive Incentive Compensation Plan

Under the EICP, if a participant retires, dies or becomes disabled prior to the end of a plan year, the participant is entitled to a pro rated portion of the award to which the participant otherwise would be entitled based on the portion of the year that the participant was employed. If the employment of the participant terminates for any other reason during the plan year, the participant will be entitled to an award only to the extent provided for in his employment agreement or under the Change-in-Control Severance Plan. See "Termination of Employment and Change in Control Benefits — Employment Agreements and — Change-in-Control Severance Plan."

Retirement Plan Benefits

Messrs. Wraase and Torgerson are participants in the Pepco General Retirement Subplan of the Pepco Holdings Retirement Plan and Messrs. Rigby and Velazquez are participants in the Conectiv Cash Balance Subplan of the Pepco Holdings Retirement Plan. Mr. Barry is a participant in the PHI Subplan of the Pepco Holdings Retirement Plan. For a description of the benefits provided under these defined benefit retirement plans and under the corresponding supplemental retirement plans following termination of employment, see the discussion under the heading "Retirement Plans" above.

Deferred Compensation Plans

Messrs. Wraase, Rigby, Barry, Torgerson, and Velazquez each is a participant in one or more Company deferred compensation plans. For a discussion of the payments to which they are entitled to under these plans following a termination of employment, see the discussion under the heading, "Deferred Compensation Plans" above.

Quantification of Termination of Employment Benefits

The following discussion quantifies the benefits that each of Messrs. Wraase, Rigby, Barry, Torgerson, and Velazquez would have been entitled to receive under his employment agreement and the Company's compensation plans (other than under the Company's defined benefit retirement plans and corresponding supplemental retirement plans and arrangements and under the Company's deferred compensation plans, the benefits under which are described above under the headings "Retirement Plans" and "Deferred Compensation Plans") if his employment had terminated on December 31, 2008, under specified circumstances:

Termination Other Than for Cause or Voluntary Resignation By the Executive (No Change in Control). If, as of December 31, 2008, the employment of the executive had been terminated by the Company other than for cause, or (i) in the case of Mr. Wraase, he had retired or voluntarily terminated his employment regardless of the reason and (ii) in the cases of Messrs. Rigby and Torgerson, he had voluntarily terminated his employment for any of the reasons specified in his employment agreement, the executive would have received the benefits shown in the following table.

	Severance Payment	EICP Payment (32)	Accelerated Vesting of Service-Based Restricted Stock (33)	Target Performance-Based Restricted Stock (34)	Lump Sum Supplemental Retirement Benefit Payment
Dennis R. Wraase (35)	$ 0	$ 0	$895,761	$906,932	$ 0
Joseph M. Rigby	3,211,875	395,625	111,835	223,687	5,903,290
Paul H. Barry	0	0	0	0	0
William T. Torgerson	2,678,400	334,800	0	0	2,090,823
David M. Velazquez	0	0	0	0	0

(32) For Messrs. Rigby and Torgerson, represents the target under the EICP for 2008.

(33) Represents the market value on December 31, 2008 of unvested shares of common stock issuable pursuant to the Restricted Stock Program that would vest and become non-forfeitable (calculated by multiplying the number of shares by $17.76, the closing market price on that day).

(34) Represents the market value on December 31, 2008 of shares of common stock issuable pursuant to the Performance Stock Program to which the executive would be entitled at the end of the performance cycle periods in which he participates, assuming that the target level of performance is achieved. Includes the following number of additional shares that the executive is entitled under the terms of his award to receive, equal in number to the shares that the executive would have acquired had the cash dividends paid during the performance period on the number of shares of common stock equal to the number of shares of Performance Stock earned been reinvested in shares of common stock. The additional number of shares that would be received by the executive is as follows: Mr. Wraase — 8,462 shares and Mr. Rigby — 2,103 shares.

(35) In addition, Mr. Wraase is entitled to receive tax preparation and planning services until his 70th birthday at the same level he was receiving such services at the time his employment terminated.

Termination by the Company Other Than for Cause or Voluntary Resignation By the Executive under Specified Circumstances (following a Change in Control). If, as of December 31, 2008, the employment of the executive following a change in control had been terminated by the Company other than for cause, or (i) in the case of Mr. Wraase, he had retired or voluntarily terminated his employment regardless of the reason, (ii) in the cases of Messrs. Rigby and Torgerson, he had voluntarily terminated his employment for any of the reasons specified in his employment agreement, or (iii) in the cases of Messrs. Barry and Velazquez, he had voluntarily terminated his employment for "good reason" in accordance with the terms of the Change-in-Control Severance Plan, the executive would have received, in addition to the benefits, if any, shown in the preceding table, the following benefits. The benefit in the column headed "Section 280G Gross-up Payment" would have been made only if the payments made to the executive would have caused the executive to incur an excise tax under Section 4999 of the Internal Revenue Code.

	Severance Payment	EICP Payment (36)	Lump Sum Supplemental Retirement Benefit Payment	Accelerated Vesting of Service-based Restricted Stock (37)	Target Performance-Based Restricted Stock (38)	Welfare Plan Benefit Payment	Section 280G Gross-Up Payment
Dennis R. Wraase	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Joseph M. Rigby	0	0	0	0	0	0	4,822,862
Paul H. Barry	2,486,400	310,800	108,010	89,937	179,909	41,703	1,348,021
William T. Torgerson ..	0	0	0	118,388	236,812	0	2,400,724
David M. Velazquez ...	1,091,200	204,600	183,735	48,964	97,946	27,522	661,780

(36) For Messrs. Barry and Velazquez, represents the target under the EICP for 2008.

(37) Represents the market value on December 31, 2008 of unvested shares of common stock issuable pursuant to the Performance Stock Program that would vest and become non-forfeitable if the termination of the executive's employment occurred within one year following the change in control (calculated by multiplying the number of shares by $17.76, the closing market price on that day).

(38) Represents the market value on December 31, 2008 of shares of common stock issuable pursuant to the Performance Stock Program to which the executive would be entitled under the terms of the LTIP at the end of the performance cycle periods in which he participates, assuming that the target level of performance is achieved, if the termination of the executive's employment occurred within one year following the change in control. Includes the following number of additional shares that the executive is entitled under the terms of his award to receive, equal in number to the shares that the executive would have acquired had the cash dividends paid during the performance period on the number of shares of common stock equal to the number of shares of Performance Stock earned been reinvested in shares of common stock: Mr. Barry — 1,562 shares; Mr. Torgerson — 2,210 shares; and Mr. Velazquez — 925 shares.

Retirement or Termination of Employment Due to Death or Disability. If, as of December 31, 2008, an executive, other than Mr. Wraase, had retired (including early retirement at the Company's request) or his employment had terminated because of his death or disability, the executive (or his estate) would have been entitled under the terms of the LTIP, unless otherwise determined by the Compensation/Human Resources Committee, to (i) the accelerated vesting of a pro-rata portion of each outstanding time-based Restricted Stock award issued to the executive pursuant to the Restricted Stock Program and (ii) the accelerated vesting of a pro-rata portion of the shares of common stock issuable pursuant to the Performance Stock Program for any then-uncompleted performance periods as determined by the Compensation/Human Resources Committee taking into account factors including, but not limited to, the period of the executive's service prior to termination and the performance of the executive before his employment ceased. In addition, under the terms of the EICP, the executive is entitled to a pro-rata portion of his award based on the portion of the year for which he was employed. The executive would not have been entitled to any severance payment or supplemental retirement benefit payment. As to Mr. Wraase, these terms of the LTIP are superseded by the terms of his employment agreement.

Voluntary Resignation by the Executive (Other than Resignation under Specified Circumstances). If, as of December 31, 2008, an executive, other than Mr. Wraase, had resigned (other than for specified circumstances), the executive would not have been entitled to receive any severance payment, EICP payment or supplemental retirement benefit payment, and all unvested shares of Restricted Stock issued to the executive pursuant to the Restricted Stock Program, and any shares of common stock that the executive had the opportunity to earn pursuant to the Performance Stock Program, would have been forfeited. In these circumstances, Mr. Wraase would receive the benefits quantified in the table under the heading "Termination Other Than for Cause or Voluntary Resignation By the Executive (No Change in Control)" above.

Termination for Cause. If, as of December 31, 2008, the employment of an executive, other than Mr. Wraase, had been terminated for cause (i) the executive would not have been entitled to any severance payment, EICP payment or supplemental retirement benefit payment and (ii) all unvested shares of restricted stock issued to the executive pursuant to the Restricted Stock Program and any shares of common stock that the executive had the opportunity to earn pursuant to the Performance Stock Program would have been forfeited. In these circumstances, Mr. Wraase would receive the benefits quantified in the table under the heading "Termination Other Than for Cause or Voluntary Resignation By the Executive (No Change in Control)" above.

BOARD REVIEW OF TRANSACTIONS WITH RELATED PARTIES

The Board of Directors has adopted Procedures for Evaluating Related Person Transactions (the "Procedures") which set forth the procedures followed by the Board in review and approval or ratification of transactions with related persons to ensure compliance with the Company's Conflicts of Interest Business Policy, Corporate Governance Guidelines and applicable law. Related persons include directors, nominees for election as a director and specified executives ("covered persons"), as well as the members of such person's immediate family. The Procedures apply to any situation where a related person serves as a director, officer or partner of, a consultant to, or in any other key role with respect to, any outside enterprise which does or seeks to do business with, or is a competitor of, the Company or any affiliate of the Company. The Procedures can be found on the Company's Web site (www.pepcoholdings.com) by first clicking on the link: Corporate Governance and then the link: Business Policies.

The Procedures require that each covered person provide to the Corporate Secretary annually a completed questionnaire setting forth all business and other affiliations which relate in any way to the business and other activities of the Company and its affiliates. Each covered person should also, throughout the year, update the information provided in the questionnaire as necessary.

When a related person transaction is contemplated, all of the material facts regarding the substance of the proposed transaction, including the material facts relating to the related person's or other party's relationship or interest, must be fully disclosed to the members of the Corporate Governance/Nominating Committee (excluding any member of the Committee who has an interest in the transaction). The members of the Corporate Governance/Nominating Committee will review the contemplated transaction and will then make a recommendation to the disinterested members of the Board. At a Board meeting, all of the material facts regarding the substance of the proposed transaction, including the facts relating to the related person's or other party's relationship or interest and the recommendation of the Corporate Governance/Nominating Committee, must be fully disclosed to the Board. Approval of the transaction requires the affirmative vote of a majority of the disinterested directors voting.

The Procedures generally require that related person transactions be approved in advance. On occasion, however, it may be in the Company's interest to commence a transaction before the Corporate Governance/Nominating Committee or Board has had an opportunity to meet, or a transaction may commence before it is discovered that a related person is involved with the transaction. In such instances, the Procedures require the covered person to consult with the Chairman of the Corporate Governance/Nominating Committee to

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No.: PSC-A-73
With respect to Adjustment 10 (WMV-12) – Remove Executive Incentive Compensation, please provide all workpapers and supporting calculations for the amount ($1,928,734) shown on line 2 of Schedule WMV-12. Include system total and all allocation factors to arrive at Delaware Distribution.

RESPONSE:

See attachment.

Respondent: W. Michael VonSteuben

DELMARVA POWER & LIGHT
DOCKET NO. 09-414
PSC STAFF DATA REQUEST - ACCOUNTING SET 1 - PSC-A-73

COMP CODE		DPL - TOTAL 12ME Mar 09	DPL %	DPL GAS %	DPL DE ELEC %	DPL DE DIST. %	DPL - DE DIST. 12ME Mar 09
	COMPANY CODE - 1000 - DPL						
	GENERAL LEDGER ACCOUNT						
1000	710065 Accrued Liability - Executive - Other	$0	100.00%	79.00%	58.67%	89.07%	$0
1000	710068 Accrued Liability-Executive	$19,745	100.00%	79.00%	58.67%	89.07%	$8,179
1000	710036 Salaries-LTIP/PARS	$84,124	100.00%	79.00%	58.67%	89.07%	$34,848
	Total	$103,869					$43,027
	COMPANY CODE - 9000 - SERVCO						
9000	710065 Accrued Liability - Executive - Other	$1,076,923	26.41%	79.00%	58.67%	89.07%	$117,816
	710068 Accrued Liability-Executive	$3,600,470	26.41%	79.00%	58.67%	89.07%	$393,895
	710036 Salaries-LTIP/PARS	$12,559,272	26.41%	79.00%	58.67%	89.07%	$1,373,996
	Total	$17,236,665					$1,885,707
	COMPANY CODES 1000 & 9000						
	Total	$17,340,534					$1,928,734

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No.: PSC-A-86
With respect to Adjustment 14 (WMV-16), Cost of Energy Experts: a. Please provide the Company's hiring plan (i.e., job descriptions, where will the positions be advertised, how and when will interviews be conducted). b. Please update how many of the new hires have actually been hired as of November 30, 2009. How many have been interviewed and are expected to be offered a position? c. Will these positions be open to existing employees? If so, does the Company have a "back-fill" plan? Please explain fully in light of the cap on hiring (see Company's Application, page 7, paragraph 14).

RESPONSE:

a) The Company has created some of the job descriptions, others are under development. The positions will be advertised in the manner typically utilized by Delmarva Power, both internally and externally through both the general employment resources available and appropriate energy industry related trade literature that tends to be read by those in this market. The interviews will be conducted according to the standard Delmarva Power Human Resources approved structured interview process. The Company plans on having thirteen (13) of these resources either hired and on board, or in the process of being hired by March 1, 2010.

b) As of November 20, 2009 we have not hired into the Energy Expert positions. We have hired eleven new CSRs at the Carneys Point, NJ location. These new CSRs will complete training, transition to the call center, and progress up the learning curve. These new hires are in preparation for filling at least ten of the fifteen Energy Advisor positions to be hired. Also, within the contact center there has been a small dedicated team of approximately five representatives per Call Center facility called the Blueprint Initiative Support Team (BIST) as described in PSC-A-85, who would be likely candidates for the Call Center Energy Advisors positions.

c) These positions will be open to existing employees. The "back-fill" plan, as described in section b above provides for the filling of these positions in advance of a significant portion of the Energy Advisor hiring process. The eleven new CSRs who were hired at Carneys Point, NJ location on November 9, 2009 began training in anticipation of being able to back-fill the Energy Advisor positions by March 1, 2010. These additional FTEs will be serving a key public interest function, and are completely incremental compared to customer service/call center costs included in the test period.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-A-84
With respect to Adjustment 14 (WMV-16), Cost of Energy Experts, please provide the detailed support for the cost of the energy experts as shown on line 1 of Schedule WMV-16.

RESPONSE:
The evaluation of the total costs for the 23 positions indicated resulted in the combined estimate being slightly higher than the costs estimated in Adjustment 14 (WMV-16). Delmarva Power will reflect these costs in rebuttal testimony.

Tier 2 - Energy Advisor Team:	
Team of 18 employees working in the call center	
2 Supervisor, Call Center per team x $88/hr ATP x 1950 hrs/yr =	$343 k
15 Call Center Reps x $62 / hr ATP x 1950 hrs / yr =	$1,813 k
1 Quality Analyst x $74/hr ATP x 1950/yr=	$144 k
	$2,300/yr
Tier 3 – Energy Specialist Team:	
1 Supervisor, $100/hr ATP x 1900 hrs / yr	$195 k
4 Specialists, $90/hr ATP x 1950 hrs / yr	$702 k
	$897 k
Combined Estimated Cost (23 personnel)	$ 3,197 k/yr

The ATP is fully loaded cost which includes benefits.

Respondent: W. Michael VonSteuben

PSC DOCKET NOS. 09-414 & 09-276T
STAFF THIRD SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
REVENUE REQUIREMENTS

Question No. : PSC-RR-3
For the $3,587.410 Total IRP Deferred Costs provided in footnote (1) of Schedule WMV-17,.Adjustment 15. provide the following: a. Costs for (re)acquiring systems, hardware/software. and/or any other costs which could be one-time costs for filing the first IRP originally filed December 1. 2006 in Docket No. 07-20. b. The cost for each supplement, revision and/or update to the IRP filed in Docket No. 07-20. c. The reason for each supplement, revision and/or update to the IRP filed in Docket No. 07-20.

RESPONSE:

a.) During the preparation and development of the updates to the IRP, Delmarva acquired the "managed portfolio model" developed by the Brattle Group. Internally, the Manager of Energy Transactions and a Senior Energy Supply Analyst have been trained on how to operate and use the model. Consequently, Delmarva is now able to operate this model "in-house" and avoid certain charges that would otherwise occur in preparing the next IRP. This cost savings is reflected as part of the reduced charges expected from the Brattle Group for assistance in preparing the next IRP.

b.) Delmarva monitored the incremental expenditures for the preparation of the IRP over the entire time period the IRP was being developed from the time it was initiated in 2006 until Docket 07-20 was closed on September 22, 2009. While the Company monitored the total cumulative incremental expenditures associated with the IRP, it did not monitor the expenditures associated with each update specifically. However, the expenses associated with the original filing and the three updates occurred over different periods of time so it is possible to develop a proxy expense for each filing by compiling the incremental charges by time periods aligned with the various filing dates. The proxy figures shown below include all external consultants, outside legal, and Commission consultant expenses for developing the IRP, regulatory support, and renewable resource acquisition related to the IRP for the time period indicated:

1. IRP Filing December 1, 2006

Total Incremental expenses July 2006 - March 2007 $1,306,845

2. IRP Update filed March 5 2008

Total Incremental Expenses April 2007 - March 2008 $685,939

3. IRP Update filed May 15, 2008

Total Incremental Expenses April 2008- June 2008 $858,375

4. IRP update filed November 5, 2008

Total Incremental expenses July 2008 - April 2009 $736,250

c.) i.) The original IRP filed on December 1, 2006: This filing was required by EURCSA. This plan was filed before any IRP regulations were established or the Commission had directed that the Company file an IRP using a portfolio approach. Even at this early date the Company expected the IRP would need to be updated due to changing circumstances. The Company clearly alerted the parties to this possibility on page on page 3 of this filing:

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No.: PSC-A-87
Witness Kamerick indicates on page 7 of his direct testimony that the Company is seeking authority to recover over three years the incremental costs associated with the Integrated Resource Plan (IRP). a. Please explain why the Company chose to recommend recovery over three years versus some other time period. b. What is the duration of the IRP plan?

RESPONSE:

a. A three year period for normalization of expenses and the amortization of expenses has been typically used by this Commission for costs of this nature. In addition, the deferred expenses of $3.587M associated with the development of the initial IRP and its subsequent updates essentially occurred over a three year period, work began in 2006 and continued until Docket No. 07-20 was closed in September 2009. See response to PSC-RR-3.
b. The IRP's filed by Delmarva are for a 10 year period. Delmarva is also required to prepare a new IRP every 2 years.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S FOLLOW UP ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

<u>Question No.</u> : PSC-A-235
Follow up to Data Request PSC-A-87: a. Please provide several examples that support the statement "where a three year amortization period has been typically used by the Commission for costs of this nature" as indicated in part a of the Company's response by witness VonSteuben. b. Since each IRP is for a ten-year period and the Company is required to file a new IRP every two years, then why shouldn't the Company recover the incremental costs of the IRP over the same period that the IRP is applicable, which would be ten years rather than some other period?

RESPONSE:

a. As recently as in the Company's last electric case, Docket No. 05-304, the Commission issued an Order including severance costs being amortized over a three year period. In prior proceedings, the Commission approved a three year amortization period for costs associated with Phoenix Steel Economic Development Credit, Information System Duplicate charges, rate case charges and spare parts inventory write off.
b. The Company is required to file a new IRP every two years. A two to three year amortization period is appropriate as that represents the economic value of the filing.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-A-92
Referencing Workpaper ADJ 15.1, would you agree that once the base was established in 4Q2006 that the costs on an annualized basis should go down? If not, please explain.

RESPONSE:

No, the Company does not agree. The Company's experience in developing the IRP in Delaware indicates that the cost associated with the preparation and submission of an IRP depends on the scope of the IRP, changing rules and regulations, new legislative requirements (both State and Federal) and the evolving energy requirements of the State and Delmarva's customers. Because all of these items have changed significantly from an IRP perspective since 2006, using the IRP expenses from 2006 is not a good method to infer IRP expenses for 2010.

For example, the next IRP to be filed by Delmarva on or before May 31, 2010, must be prepared in accordance with the new IRP regulations promulgated by the Commission. These regulations require much more detailed evaluations of environmental benefits and externalities than the Company has previously prepared. In addition, based upon an agreement of the parties in the IRP docket and as approved by the Commission on September 22, 2009, the Company is to prepare and file a generation siting study prior to the submission of the next IRP. All of these specialized analyses require the use of outside consultants and represent costs that were not present in the 2006 expenses.

Delmarva experience in this regard is consistent with IRP regulation 3.1.4 as promulgated by the Commission. This regulation states:

> *"The IRP shall include provisions for the IRP to be modified from time to time, as may be necessary to conform with any subsequent legislative or regulatory directive."*

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No.: PSC-A-93
Witness Kamerick states on page 7 of his direct testimony that the Company is seeking authority to recover the incremental costs associated with the RFP for generation over three years. Please explain why the Company chose to recommend recovery over 3 years versus some other time period.

RESPONSE:
The deferred expenses associated with the RFP occurred over a little more than a two year period starting with the work leading up to the filing of the original RFP in August 2006 as required by the Electric Utility Retail Customer Supply Act of 2006 enacted in March 2006 through September 2008 with the issuance of Order No. 7440 approving the Bluewater Wind contract. A three year period for normalization of expenses and the amortization of expenses has been typically used by this Commission for costs of this nature and the Company thought that a two year amortization was not long enough.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S FOLLOW UP ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No.: PSC-A-241
Follow up to Data Request PSC-A-104: a. What is the estimated average service life assigned to AMI meters? b. How was the estimated service life determined?

RESPONSE:

a. As filed in the Blueprint for the Future document in February 2007, a 15 year life was estimated for AMI meter. b. This life was determined based on review of other AMI related filings by other utilities at the time of the Blueprint for the Future filing and the lives that were used in those filings. In addition, the Company's depreciation consultant in its other cases, Mr. John Spanos, has determined that the estimated service life of the meters is 15 years.

Respondent: W. Michael VonSteuben

**PSC DOCKET NO. 09-414
STAFF'S SECOND SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY –
CITY OF WILMINGTON FRANCHISE TAX ISSUES**

<u>Questions No. 4:</u>
Provide a copy of the agreement with the City of Wilmington for the City of Wilmington Franchise Tax and a summary of the relevant rates, terms an conditions of the agreement that is the basis for the determination of the annual payment. If the original agreement is not available, or is voluminous, then provide the requested summary.

RESPONSE

Please refer to Section 5 of the document attached to this response.

Respondent: W. Michael VonSteuben

Attachment
Q. 4 pg. 1

1

DELAWARE POWER & LIGHT COMPANY.

Franchises Within City of Wilmington.

Date	Grantor	Location	G/E	Page
9/21/28	Mayor and Council of Wilmington (The) (to Wilmington Gas Company)	Lower Linden St. / So. Madison St.	G	3–8
2/6/00	Street and Sewer Department to (Universal Conduit, Light, Heat and Power Company)	General Franchise	G/E	9–12
4/24/87	Street and Sewer Department to (Delmarvia Telephone Company)	" "	E	13–21
6/13/85	Street and Sewer Department	Christiana River south of B. & O. R. R. Old Bridge	G	22
8/13/16	Street and Sewer Department	Iron Tower at Ft. of Orange Street	E	23–24
11/20/28	Street and Sewer Department	7th & King Sts. Underground Transformer Vault	E	24–26
6/28/05	Mayor and Council of Wilmington (The) (The Wilm. Elec. Light and Power Co.) &	General Franchise	E	26–31
[illegible]	Street and Sewer Department (Wilmington City Electric Company)	" "	E	31–40
[illegible]/81	Board of Harbor Commissioners	Brandywine River East of 7th Street Bridge	E	40–42
8/25/30	" "	Brandywine River North of 11th Street Bridge	E	[illegible]
6/20/25	" "	Christiana River	G	43–44
11/10/20	Board of Park Commissioners	Approaches to Augustine Bridge	G	45–47
12/10/21	" "	King Street bet. 10th & 11th Sts., & Rodney Square	E	48–50
10/3/29	" "	Old Mill Road	E	51
8/20/11	" "	Van Buren Street Bridge	E	51

and King Streets, as was displaced or disturbed through the installation of said vault.

That your Company will indemnify and save harmless the City of Wilmington against all costs, claims or damages sustained by reason of the construction or maintenance of said vault.

And to the acceptance by your Company of the terms of this permit.

Very truly yours,

BOARD OF DIRECTORS OF THE STREET & SEWER DEPARTMENT

FRANK F. PIERSON
Secretary

IFB:M

A RESOLUTION AUTHORIZING THE WILMINGTON ELECTRIC LIGHT AND POWER COMPANY TO ERECT POLES, STRING WIRES, AND LAY CONDUITS IN THE PUBLIC ROADS, HIGHWAYS, STREETS, AVENUES AND ALLEYS IN THE CITY OF WILMINGTON.

WHEREAS, the Wilmington Electric Light and Power Company is a corporation, duly created and organized under the laws of the State of Delaware, authorized by its Certificate of Incorporation to manufacture, generate, buy, sell, accumulate, store, transmit, furnish and distribute electric current for light, heat and power, and to use the public roads, highways, streets, avenues and alleys in the State of Delaware for the purpose of erecting posts or poles on the same to sustain the necessary wires and fixtures, and to lay pipes or conduits, and to lay wires therein beneath the public roads, highways, streets, avenues and alleys in said State, provided that the consent of the persons having control over the public roads, highways, streets, avenues and alleys of the city, town and district in or upon which said posts or poles are to be erected and the said pipes, conduits and wires laid therein

shall first, and as a condition precedent be obtained; and provided further that no posts or poles shall be erected in any street of any city or incorporate town except in those streets which shall be designated by the said authorities thereof, and then only in such place and manner as shall be thus designated, and that the same shall be so located as in no way to interfere with the safety or convenience of persons travelling on or over the said streets, highways and roads, and that the use of the public streets in any of the cities and incorporate towns of this State shall be subject to such regulations and taxation as may be first imposed by the corporate authorities of such cities and towns.

AND WHEREAS, the said Wilmington Electric Light and Power Company is desirous of carrying on the business authorized by its Certificate of Incorporation within the corporate limits of the City of Wilmington, as they are now or may hereafter be designated;

AND WHEREAS, the Delmarvia Telephone Company is a corporation created by and existing under the laws of the State of Delaware, having the right to erect poles and string wires thereon, and to lay conduits and wires therein for telephone purposes, and has erected such poles throughout the City of Wilmington, and has laid and is laying underground conduits in the streets of said City of a capacity sufficient to support and contain the wires of the said Wilmington Electric Light and Power Company;

AND WHEREAS, the said Wilmington Electric Light and Power Company is about to make arrangements with the said Delmarvia Telephone Company for the use of its said poles and conduits for the purposes aforesaid:

NOW, THEREFORE, BE IT RESOLVED:—

Section 1. That consent is hereby given to the said Wilmington Electric Light and Power Company to use all of the public streets and alleys in the City of Wilmington for the purpose of erecting posts or poles to sustain the necessary wires and fixtures for the supply and distribution of electricity for electric lights, heat or power, which said posts or poles shall be so located as in no way to interfere with the safety or convenience of persons traveling on or over the said streets and alleys; and further that consent is hereby given to the said Company to lay pipes, or conduits, and to lay wires therein beneath the public streets and alleys in the said City as to the said Company may be deemed necessary, provided that said pipes and conduits shall be laid at least two feet below the surface of the said streets or alleys, and shall not in anywise unnecessarily obstruct or interfere with public travel, or damage public or private property.

Section 2. The consent given by the first section of this Resolution shall not be construed to authorize the said Company to erect any posts, or poles, or to lay any pipes or conduits in any of the public streets or alleys of the said City at places where there may now be, or hereafter be, posts, poles or conduits belonging to the Delmarvia Telephone Company capable of being used for the purposes aforesaid; and further provided that within all that section of the City of Wilmington bounded by Tenth Street and Delaware Avenue on the North, by Walnut Street on the East, by Front Street on the South, and by Madison Street on the West no additional posts or poles shall be erected by the said Wilmington Electric Light and Power Company for any purpose whatever, except distributing poles at such places as may be necessary to carry the wires as brought out of the subways.

Section 3. The said Company shall not lay any conduits, containing wires, nor shall lay any wires for con-

veying electricity, in the said streets or alleys at a distance of less than three feet from any water or gas pipe now laid down, except in cases where it shall be necessary that the said wires or conduits shall cross or intersect any such water or gas pipe.

Section 4. The said Company, after tearing up any street or alley in the said City for the purposes aforesaid, shall as soon as practicable place the same in as good order and condition as the same was before they were torn up, and the said Company shall be liable for any damage or loss occasioned to person or property by reason of the tearing up of such streets as aforesaid, and shall fully indemnify and save harmless The Mayor and Council of Wilmington from any loss or damage resulting to it thereby or therefrom.

Section 5. Said Company shall pay to the said The Mayor and Council of Wilmington, beginning with the year nineteen hundred and seven, one per cent. of the gross amount received by it from the sale of electricity for light, heat or power within the said City of Wilmington, and after the year nineteen hundred and twelve, shall pay to the said City two per cent. of the gross amount received by it as aforesaid. ~~The charge for electricity under this franchise shall not be~~ more than ten cents per kilowatt hour.

Section 6. The books of said Company shall be at all times open for the inspection of the Directors of this Department or its Secretary, or other duly authorized agents, as to gross receipts and cost of construction.

Section 7. In all conduits or subways laid down by the said Wilmington Electric Light and Power Company, one duct shall be reserved for the exclusive use of The Mayor and Council of Wilmington, or its lessee or lessees.

Section 8. The said Company shall execute and deliver before tearing up any of the said streets and before commencing its work hereunder, a Bond to the said The Mayor and Council of Wilmington, with surety satisfactory to this Board, in the penal sum of Ten Thousand Dollars, conditioned for the faithful performance by it of the conditions of this Resolution, which said Bond shall be in force for a period of five years from the date thereof, and thereafter said Company shall immediately upon the expiration of said bond, make and file a sufficient bond or a proper sum with sufficient sureties and always keep such bond on file with the City during the life of the Company, its successors or assigns, and this Bond, or subsequent bond filed in lieu thereof, shall in no event be construed to limit or affect the liability of the Company under Section 4 of this Resolution.

Section 9. That said Company shall within two years from the date of the passing of this Resolution construct and equip a plant sufficient to supply electricity to applicants in the districts where conduits are laid for its use.

Section 10. That said Company shall make and deliver to this Department a sworn statement of the actual cost of the construction and equipment of its lighting plant as authorized by this Department when the same shall be ready for service, and shall further make such sworn statements of the actual cost of all extensions of its plant when required by this Department.

Section 11. Upon the failure of the Company, its successors or assigns, to comply with the terms of this Resolution, the same shall be null and void.

Section 12. This Resolution shall not be operative or go into effect until the same shall be accepted by the said Company under the hand of its President and its corporate seal, duly attested by its Secretary.

Wilmington Electric Light and Power Company hereby accepts the above Resolution.

WILMINGTON ELECTRIC LIGHT AND POWER COMPANY,
By
CHAS. C. KURTZ
President.

Attest:
STANLEY BAKER
Secretary.

A RESOLUTION authorizing The Wilmington City Electric Company to erect poles, string wires and lay conduits in the public roads, highways, streets, avenues and alleys in the City of Wilmington.

WHEREAS, The Wilmington City Electric Company is a corporation duly created and organized under the laws of the State of Delaware, authorized by its Certificate of Incorporation to manufacture, generate, buy, sell, accumulate, store, transmit, furnish and distribute electric current for light, heat and power, and to use the public roads, highways, streets, avenues and alleys in the State of Delaware for the purpose of erecting posts or poles on the same to sustain the necessary wires and fixtures, and to lay pipes or conduits, and to lay wires therein beneath the public roads, highways, streets, avenues and alleys in said State, provided that the consent of the persons having control over the public roads, highways, streets, avenues and alleys of the city, town and district in or upon which said posts or poles are to be erected, and the said pipes, conduits and wires laid therein shall first and as a condition precedent be obtained; and provided further that no posts or poles shall be erected in any streets of any city or incorporated town except in those streets which shall

PSC DOCKET NO. 09-414
DIVISION OF THE PUBLIC ADVOCATE'S
SECOND SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
ACCOUNTING SET 2

Question No. : DPA-A-139
Regarding Adjustment 22, The City of Wilmington Franchise Tax, please provide the date the increase in the Franchise Tax will take effect and explain how the adjustment was quantified.

RESPONSE:

The Company's adjustment is simply to synchronize the test period level of expense associated with the City of Wilmington Franchise tax to the latest payment made to the City for this item.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-A-118
Does the Company allocate its tax liabilities to the various city and/or county authorities to ensure that it pays its appropriate share of taxes to those entities? If yes, then why is the City of Wilmington tax included in the revenue conversion factor and part of the gross-up on the Company's adjustments to its cost of service?

RESPONSE:

Consistent with past practice approved by the Commission, the Wilmington Franchise tax is included in the revenue conversion factor, and therefore, the tax is recovered from all electric customers, not just those residing in the City of Wilmington.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S FOLLOW UP ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No.: PSC-A-246
Follow up to Data Request PSC-A-161: a. Please explain why a capital project would be considered CWIP if it is "technically complete?" b. Does the Company agree that "technically complete" projects are those on which depreciation starts and AFUDC, if applicable, is discontinued? c. Are "technically complete" projects assigned to a FERC primary plant account (i.e. a 360 account) so they can be depreciated prior to unitization? d. What is the difference between a "technically complete" project residing in CWIP (FERC account 107) and a project that is considered completed construction not classified (FERC 106)? e. Does the Company use FERC 106 to classify "technically complete" projects? f. How are "technically complete" projects in CWIP reported for FERC Form 1 quarter and annual reports? Please indicate the FERC account in which such projects are reported (i.e. FERC 101 or FERC 107 etc ;).

RESPONSE:

a. The Company classifies a project as "technically complete" if the responsible engineer indicates that the project is ready for service. The Company does not transfer the asset from CWIP to either Account 106 or Account 101 until the identified costs related to the project and the applicable FERC detail have been appropriately recorded for the project. Until this information is finalized, the asset would continue to reside in CWIP without any AFUDC being accrued on the accumulated costs to date.
b. The Company agrees that technically complete projects would no longer accrue AFUDC. The Company does not begin depreciating the asset until it is transferred from CWIP to either Account 106 or Account 101.
c. The Company's Asset Management system does have preliminary estimates for substation and distribution line jobs by FERC account. Mass property does not have a FERC estimate. As a result as discussed in the response to part a), there is a delay from the time CWIP is declared technically complete and the asset is transferred to plant in service.
d. Refer to the response to a.) of this Data request.
e. The Company uses Account 106 to include projects that are in service and have recorded the identified costs by FERC account associated with the project.
f. Assets that are technically complete but not yet placed in service (either Account 101 or Account 106) are recorded in CWIP (Account 107) in the Company's FERC reports.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S FOLLOW UP ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-A-252
Re: CWIP: a. Please explain how the inclusion of CWIP in rate base benefits the customer. b. Please explain how the inclusion of CWIP in rate base does not violate the matching principle between revenue and expense. c. Please explain how the inclusion of CWIP in rate base does not create an intergenerational inequity.

RESPONSE:

a. Refer to the testimony of Company Witness VonSteuben, starting on page 36. Company witness VonSteuben explains that many of these projects are technically complete and serving customers but have simply not been transferred to plant in service. If the projects are not technically complete and if they meet the FERC guidelines then the projects are accruing AFUDC. This is also another way to address regulatory lag and to lengthen the time between rate cases which benefits customers. As inprior cases where this Commission has included CWIP in rate base, the facts support the inclusion of CWIP in rate base. As found in Docket No. 91-20, Order No. 3389, the same holds true in this case. There is offsetting AFUDC earnings being recorded for longer-term construction projects and with respect to the CWIP where no offsets existed, the CWIP is limited to "(1) plant items that were 'immediately' ready for service; (2) plant already in service but not yet transferred to plant-in-service on its books; or (3) plant associated with routine construction normally completed with a few days." These projects are used and useful and should be included in rate base.
b. The inclusion of CWIP in rate base does not violate the matching principle between revenue and expense. Just the opposite. For the most part, the CWIP that is being included in rate base is associated with projects that are technically complete during the test period and in service serving customers. These projects being requested to be included in rate base will increase operating efficiency, service reliability or decrease maintenance requirements on both new and existing facilities. These projects are serving customers. As a result, it properly matches benefits with the revenues generated from those customers which are included in the cost of service. Not including CWIP in rate base would be a violation of the matching principle. Because many of these projects were in service at the end of the test period, there is no mismatch among the components of the test period.
c. See the response to part a. and b. above. There is not an intergenerational inequity with the inclusion of CWIP in rate base. Many of the CWIP projects are serving customers so current customers are paying a return on plant that is providing them service or there is an AFUDC offset included in the earnings' statement.

Respondent: W. Michael VonSteuben

8. CURRENT AND ACCRUED LIABILITIES

231 Notes payable.
232 Accounts payable.
233 Notes payable to associated companies.
234 Accounts payable to associated companies.
235 Customer deposits.
236 Taxes accrued.
237 Interest accrued.
238 Dividends declared (Major only).
239 Matured long-term debt (Major only).
240 Matured interest (Major only).
241 Tax collections payable (Major only).
242 Miscellaneous current and accrued liabilities.
243 Obligations under capital leases—current.
244 Derivatives instrument liabilities.
245 Derivative instrument liabilities-Hedges.

9. DEFERRED CREDITS

251 [Reserved]
252 Customer advances for construction.
253 Other deferred credits.
254 Other regulatory liabilities.
255 Accumulated deferred investment tax credits.
256 Deferred gains from disposition of utility plant.
257 Unamortized gain on reacquired debt.
281 Accumulated deferred income taxes—Accelerated amortization property.
282 Accumulated deferred income taxes—Other property.
283 Accumulated deferred income taxes—Other.

Balance Sheet Accounts

101 Electric plant in service (Major only).

A. This account shall include the original cost of electric plant, included in accounts 301 to 399, prescribed herein, owned and used by the utility in its electric utility operations, and having an expectation of life in service of more than one year from date of installation, including such property owned by the utility but held by nominees. (See also account 106 for unclassified construction costs of completed plant actually in service.)

B. The cost of additions to and betterments of property leased from others, which are includible in this account, shall be recorded in subdivisions separate and distinct from those relating to owned property. (See electric plant instruction 6.)

101.1 Property under capital leases.

A. This account shall include the amount recorded under capital leases for plant leased from others and used by the utility in its utility operations.

B. The electric property included in this account shall be classified separately according to the detailed accounts (301 to 399) prescribed for electric plant in service.

C. Records shall be maintained with respect to each capital lease reflecting: (1) name of lessor, (2) basic details of lease, (3) terminal date, (4) original cost or fair market value of property leased, (5) future minimum lease payments, (6) executory costs, (7) present value of minimum lease payments, (8) the amount representing interest and the interest rate used, and (9) expenses paid. Records shall also be maintained for plant under a lease, to identify the asset retirement obligation and cost originally recognized for each lease and the periodic charges and credits made to the asset retirement obligations and asset retirement costs.

102 Electric plant purchased or sold.

A. This account shall be charged with the cost of electric plant acquired as an operating unit or system by purchase, merger, consolidation liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts in accordance with electric plant instruction 5.

B. Within six months from the date of acquisition or sale of property recorded herein, the utility shall file with the Commission the proposed journal entries to clear from this account the amounts recorded herein.

103 Experimental electric plant unclassified (Major only).

A. This account shall include the cost of electric plant which was constructed as a research, development, and demonstration plant under the provisions of paragraph C, Account 107, Construction Work in Progress—Electric, and due to the nature of the plant it is desirous to operate it for a period of time in an experimental status.

B. Amounts in this account shall be transferred to Account 101, Electric

Plant in Service, or Account 121, Nonutility Property as appropriate when the project is no longer considered as experimental.

C. The depreciation on plant in this account shall be charged to account 403, Depreciation expense, and account 403.1, Depreciation expense for asset retirement costs, as appropriate, and credited to account 108, Accumulated provision for depreciation of electric utility plant (Major only). The amounts herein shall be depreciated over a period which corresponds to the estimated useful life of the relevant project considering the characteristics involved. However, when projects are transferred to account 101, Electric plant in service, a new depreciation rate based on the remaining service life and undepreciated amounts, will be established.

D. Records shall be maintained with respect to each unit of experiment so that full details may be obtained as to the cost, depreciation and the experimental status.

E. Should it be determined that experimental plant recorded in this account will fail to satisfactorily perform its function, the costs thereof shall be accounted for as directed or authorized by the Commission.

103.1 Electric plant in process of reclassification (Nonmajor only).

A. This account shall include temporarily the balance of electric plant as of the effective date of the prior system of accounts, which has not yet been reclassified as of the effective date of this system of accounts. The detail or primary accounts in support of this account employed prior to such date shall be continued pending reclassification into the electric plant accounts herein prescribed (301-399), but shall not be used for additions, betterments, or new construction.

B. No charges other than as provided in paragraph A, above, shall be made to this account, but retirements of such unclassified electric plant shall be credited hereto and to the supporting (old) fixed capital accounts until the reclassification shall have been accomplished.

104 Electric plant leased to others.

A. This account shall include the original cost of electric plant owned by the utility, but leased to others as operating units or systems, where the lessee has exclusive possession.

B. The property included in this account shall be classified according to the detailed accounts (301 to 399) prescribed for electric plant in service and this account shall be maintained in such detail as though the property were used by the owner in its utility operations.

105 Electric plant held for future use.

A. This account shall include the original cost of electric plant (except land and land rights) owned and held for future use in electric service under a definite plan for such use, to include: (1) Property acquired (except land and land rights) but never used by the utility in electric service, but held for such service in the future under a definite plan, and (2) property (except land and land rights) previously used by the utility in service, but retired from such service and held pending its reuse in the future, under a definite plan, in electric service.

B. This account shall also include the original cost of land and land rights owned and held for future use in electric service under a plan for such use, to include land and land rights: (1) Acquired but never used by the utility in electric service, but held for such service in the future under a plan, and (2) previously held by the utility in service, but retired from such service and held pending its reuse in the future under a plan, in electric service. (See Electric Plant Instruction 7.)

C. In the event that property recorded in this account shall no longer be needed or appropriate for future utility operations, the company shall request Commission approval of journal entries to remove such property from this account when the gain realized from the sale or other disposition of the property is $100,000 or more, prior to their being recorded. Such filings shall include the description and original cost of individual properties removed from this account, the accounts charged upon removal, and any associated gains realized upon disposition of such property.

D. Gains or losses from the sale of land and land rights or other disposition of such property previously recorded in this account and not placed in utility service shall be recorded directly in accounts 411.6 or 411.7, as appropriate, except when determined to be significant by the Commission. Upon such a determination, the amounts shall be transferred to account 256, Deferred Gains from Disposition of Utility Plant, or account 187, Deferred Losses from Disposition of Utility Plant, and amortized to accounts 411.6, Gains from Disposition of Utility Plant, or 411.7, Losses from Disposition of Utility Plant, as appropriate.

E. The property included in this account shall be classified according to the detail accounts (301 to 399) prescribed for electric plant in service and the account shall be maintained in such detail as though the property were in service.

NOTE: Materials and supplies, meters and transformers held in reserve, and normal spare capacity of plant in service shall not be included in this account.

106 Completed construction not classified—Electric (Major only).

At the end of the year or such other date as a balance sheet may be required by the Commission, this account shall include the total of the balances of work orders for electric plant which has been completed and placed in service but which work orders have not been classified for transfer to the detailed electric plant accounts.

NOTE: For the purpose of reporting to the Commission the classification of electric plant in service by accounts is required, the utility shall also report the balance in this account tentatively classified as accurately as practicable according to prescribed account classifications. The purpose of this provision is to avoid any significant omissions in reported amounts of electric plant in service.

107 Construction work in progress—Electric.

A. This account shall include the total of the balances of work orders for electric plant in process of construction.

B. Work orders shall be cleared from this account as soon as practicable after completion of the job. Further, if a project, such as a hydroelectric project, a steam station or a transmission line, is designed to consist of two or more units or circuits which may be placed in service at different dates, any expenditures which are common to and which will be used in the operation of the project as a whole shall be included in electric plant in service upon the completion and the readiness for service of the first unit. Any expenditures which are identified exclusively with units of property not yet in service shall be included in this account.

C. Expenditures on research, development, and demonstration projects for construction of utility facilities are to be included in a separate subdivision in this account. Records must be maintained to show separately each project along with complete detail of the nature and purpose of the research, development, and demonstration project together with the related costs.

108 Accumulated provision for depreciation of electric utility plant (Major only).

A. This account shall be credited with the following:

(1) Amounts charged to account 403, Depreciation Expense, or to clearing accounts for current depreciation expense for electric plant in service.

(2) Amounts charged to account 403.1, Depreciation expense for asset retirement costs, for current depreciation expense related to asset retirement costs in electric plant in service in a separate subaccount.

(3) Amounts charged to account 421, Miscellaneous Nonoperating Income, for depreciation expense on property included in account 105, Electric Plant Held for Future Use. Include, also, the balance of accumulated provision for depreciation on property when transferred to account 105, Electric Plant Held for Future Use, from other property accounts. Normally account 108 will not be used for current depreciation provisions because, as provided herein, the service life during which

PSC DOCKET NO. 09-414
DIVISION OF THE PUBLIC ADVOCATE'S
FIRST SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY
ACCOUNTING SET 1

Question No. : DPA-A-61
For each of the past five years and as projected for the Test Year, please quantify the affiliated charges from each of the affiliated entities identified in the previous question.

RESPONSE:

See Attachment 1 provided.

Respondent: Kathleen A. White

DELMARVA POWER AND LIGHT
2005 - 2008 AFFILIATE SERVICES
TO DPL
(000'S)

COMPANY DESCRIPTION	2008	2007	2006	2005
ATLANTIC CITY ELECTRIC COMPANY				
Vehicle resource management services	3	3	-	7
Building, facilities and real estate services	23	56	42	47
Engineering, technical and design services	10	16	12	18
Construction, operation and maintenance services	4	5	9	70
Metering and customer services	-	-	-	3
Communication services	-	8	20	3
System operator services	-	-	-	-
Power controller services	-	-	-	-
Underground labor services	-	-	-	-
Finished floor space	-	-	-	205
Materials and stores overhead	163	96	178	481
Total Atlantic City Electric Company	203	184	261	834
CONECTIV ENERGY SUPPLY, INC.				
Gas sales and purchases	2,664	1,938	2,930	5,395
Standard Offer Service power purchases	181,098	262,929	336,166	479,583
Total Conectiv Energy Supply Inc.	183,762	264,867	339,096	484,978
CONECTIV DELMARVA GENERATION L.L.C.				
Construction and maintenance services	2	2	10	3
Total Conectiv Delmarva Generation L.L.C.	2	2	10	3
W.A. CHESTER L.L.C.				
Maintenance services	38	25	-	15
Total W.A. Chester L.L.C.	38	25	-	15
PEPCO ENERGY SERVICES, INC.				
Purchase Power Transaction	-	6,221	-	10
Total Pepco Energy Services, Inc.	-	6,221	-	10
CONECTIV BETHLEHEM LLC				
Construction and maintenance utility poles	-	-	-	50
Total Conectiv Bethlehem LLC	-	-	-	50
PHI HOLDING COMPANY				
Credit facilities fee	212	198	168	227
Total PHI Holding Company	212	198	168	227
POTOMAC ELECTRIC POWER COMPANY				
Operation and maintenance services	123	46	86	168
Construction and maintenance services	2	-	-	-
Engineering, technical and design services	-	-	53	-
Customer training and services	-	-	7	-
Metering services	-	14	-	-
Materials and stores overhead	12	66	27	11
Total Potomac Electric Power Company	137	126	173	179
PHI SERVICE COMPANY				
Executive management	7,352	4,321	2,560	2,393
Procurement & administrative services	6,444	6,529	6,138	4,907
Financial services	14,028	13,444	11,906	11,744
Human resources	5,338	8,270	5,552	10,842
Legal & internal audit services	4,198	4,881	3,512	2,597
Customer services	32,927	32,360	29,348	28,548
Marketing services	1,338	1,230	1,567	2,198
Information technology	6,446	6,713	7,914	7,947
Communications services	1,206	1,199	2,050	877
Environmental & safety services	1,357	1,454	2,938	1,082
Regulated electric & gas delivery	28,715	26,771	25,905	24,905
Energy business	1,274	1,080	887	981
Internal consulting services	104	339	174	112
Miscellaneous services	160	127	(98)	(38)
Benefits (1)	10,343	10,023	9,707	9,679
Total PHI Service Company (2)	121,230	117,541	110,082	108,730

(1) - Benefits not reported in the Service Company FERC Form 60 for years 2005-2007.

(2) - Convenience or accommodation payments made by the Service Company on behalf of DPL are not included.

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-A-185
For the test year and each of the three previous calendar years, provide electronic spreadsheets showing all PHI Service Company expenses by account (or type of service), the amounts allocated to Delmarva and each affiliated company by account (or type of service), the allocation factor used for the allocation of each account (or type of service) and the amounts charged directly to each affiliated company by account (or type of service).

RESPONSE:
Please refer to Attachments 1 (year 2006), Attachment 2 (year 2007), Attachment 3 (year 2008) and 4 (September year to date 2009) for the summaries of Service Company costs that were directly charged or allocated to PHI Affiliates. The charges are organized horizontally by Company Code and vertically by direct versus indirect, function, and secondary cost element.

The allocation factor used for each account can be referenced to the approved allocation factor for the related function as shown in exhibit 3 of the Company's Service Agreement.

Respondent: Kathleen A. White

Service Company Bill
2006

Cost Elements	1030	1500	2000	2310	2500	3000	3210	3021	3310
— Direct by Function	40,471,253.20	23,832,243.97	12,130.69	4,278,501.81	54,126.86	17,230,170.29	5,190,170.25	272,701.00	1,633,030.44
— Allocated by Function	69,099,333.86	62,050,440.14	31,481.72	8,402,424.88	8,243.18	5,750,452.90	7,078,124.65	138,934.43	2,691,677.32
— Gross Service Co Bill	110,570,591.06	85,882,684.11	43,288.41	17,081,983.69	58,370.04	22,843,031.19	12,268,294.91	411,635.43	4,325,437.76

Cost Elements	3030	3099	3520	3530	3531	3532	3540	2315	1716
— Direct by Function	2,000,635.65	2,611.41	45,022.98	18,703.60	164.73	133.58	1,751.19	374,660.09	82,842.00
— Allocated by Function	1,634,680.80	(13.27)	83,633.14	7,423.65	162.27	177.44	61,225.73	490,401.60	-
— Gross Service Co Bill	3,635,506.45	2,568.19	128,450.12	26,107.25	327.00	311.02	62,976.02	865,062.49	82,842.00

A

PDC-A-185 Attachment 1

3040	3550	5001	5303	6700	6733	6800	7000	7400	7500	7700	8959	9699	Total
43,373.00	13,549.34	11,663.50	59,763.64	119,047.74	63,221.00	8,518.16	63,588,960.30	1,382,213.56	1,387.64	2,683,577.66	131,897.15	2,803.91	164,035,943.70
15,365.40	7,584.00	-	6,889.01	129,624.00	443,098.98	151,231.34	71,507,070.28	1,319,214.70	112.40	8,739,427.50	2,068,315.24	2.71	242,682,488.80
58,738.40	19,134.00	11,663.50	65,567.65	248,042.42	544,317.96	159,647.50	135,104,030.58	2,701,428.06	1,500.04	11,720,005.16	2,200,212.39	2,806.62	406,698,441.56

PCC-A-185 Attachment 2

Service Company Bill
7C07

Cost Elements	1000	1500	2000	2310	3015	2500	3000	3010	3021
Direct by Function	38,017,760.89	21,873,547.46	7,850.71	33,330.50	380.00	4,509.00	18,405,369.82	4,888,824.78	347,808.84
Allocated by Function	78,922,611.70	65,101,227.39	42,174.52	-	-	-	7,007,410.44	11,218,598.98	78,835.21
Gross Service Co Bill	117,140,372.59	86,974,844.85	50,025.23	33,330.50	380.00	4,509.00	25,412,829.26	16,107,421.72	426,644.05

Cost Elements	3016	3030	3099	3520	3530	3531	3532	3540	2315
Direct by Function	1,942,008.75	2,044,584.63	2.19	33,836.11	4,859.89	384.53	3,273.04	139.01	500,022.49
Allocated by Function	4,585,777.23	1,718,309.40	4.67	115,100.85	1,171.98	47.13	44.00	94,127.40	975,583.63
Gross Service Co Bill	6,527,785.98	3,762,894.03	6.86	148,936.96	6,031.87	431.66	3,317.04	94,266.41	1,481,606.02

1715	3040	3550	5231	5300	6700	6720	5730	6000	7000	7450	7700	9959	9999	Total
68,720.00	26,454.36	3,430.59	3,692.00	17,350.17	151,774.36	206.00	99,789.00	1,835.02	64,284,384.53	990,208.83	3,129,930.46	151,273.34	374.95	188,262,903.03
-	21,255.52	9,813.79	-	23,239.46	161,860.41	-	703,777.72	137,285.86	83,479,251.46	1,357,697.65	7,358,500.14	2,013,970.56	4.59	285,220,379.85
68,720.00	47,709.88	13,244.38	3,692.00	40,589.03	313,634.77	206.00	803,566.72	139,121.66	147,763,635.99	2,347,904.74	10,488,430.60	2,165,243.90	379.54	473,483,282.90

Service Company 0131
Internal Use Only
YTD 2008

Cost Elements	1000	1500	2000	2310	3016	2500	3003	3310	3021
— Direct by Function	37,169,665.36	22,993,732.62	8,318.52	2,006.00	1.02	782.02	19,620,276.62	5,583,136.51	943,079.06
--- Allocated by Function	84,060,431.62	70,686,303.60	62,855.65		32.35	347.65	10,806,031.93	11,637,673.83	176,050.10
---- Gross Service Company Bill	121,230,097.20	93,680,036.12	71,172.17	2,006.00	33.37	1,129.67	30,026,208.55	17,220,810.40	1,119,085.16

Cost Elements	3016	3022	3030	3023	3099	3520	3530	3531	3532
— Direct by Function	3,169,102.14	348.60	1,945,436.11	60,417.06	424.19	35,183.48	7,220.60		12,660.06
--- Allocated by Function	4,479,938.45		1,735,434.61	3,092.57	219,037.33	107,500.52	1,161.51	0.04	148.41
---- Gross Service Company Bill	7,649,040.59	348.50	3,680,870.62	63,509.63	219,511.52	142,690.01	8,382.11	0.04	12,608.47

Service Company Bill
Internal Use Only
YTD 2008

Cost Elements	3540	2316	1716	3060	5001	5300	5700	5720
Direct by Function	606.25	703,257.25	51,570.12	13.86	33,891.42	7,675.90	138,056.07	49.38
Allocated by Function	25,735.08	1,215,982.79	648,325.51	8,130.07	16,465.17	5,902.22	159,807.39	119,384.09
Gross Service Company Bill	26,341.33	1,919,240.04	699,895.63	8,143.93	50,356.59	13,578.12	297,863.46	119,433.47

Cost Elements	6730	6000	7000	7400	7700	9153	9959	Total
Direct by Function	103,347.38	664.74	70,479,244.78	1,270,677.93	4,018,268.43	219,543.22	7,624.56	160,030,037.42
Allocated by Function	678,491.26	36,311.93	83,668,276.97	1,094,524.73	9,403,039.27	3,052,103.63	10,756.86	294,344,794.00
Gross Service Company Bill	781,838.64	36,976.67	154,147,520.76	2,365,202.66	13,421,307.70	3,271,646.85	18,381.42	454,374,831.42

Service Company Bill
Internal Use Only
September YTD 2009

Cost Elements	1000	1500	2000	3015	2500	3000	3010	3021	3016	3022	3030
Direct by Function	31,467,456.79	19,023,734	1,826.07	3.55	413.60	14,707,819.19	3,624,941.30	1,184,104.40	2,375,666.59	4.71	1,141,932.50
Allocated by Function	64,010,954.65	55,496,289	33,459.06	42.22	52.22	4,343,279.68	8,411,827.48	72,428.10	3,176,217.13	30.22	1,622,750.84
Gross Service Company Bill	95,478,411.44	74,520,023	35,335.13	45.77	465.82	19,051,100.05	12,036,768.78	1,256,532.50	5,551,883.72	37.93	2,764,733.34

Cost Elements	3023	3099	3520	3530	3531	3532	3540	2315	1715	3006	5001
Direct by Function	106,619.73	529.43	43,900.03	302.84	346.00	5,480.00	42.58	612,075.05	15,741.10	217,918.38	13,204.30
Allocated by Function	5,644.61	419,372.54	143,070.66	1,313.36			8,505.72	995,287.65	190,093.26	1,721.92	57,218.39
Gross Service Company Bill	112,264.34	419,901.97	186,970.94	1,623.42	346.00	5,480.00	8,550.30	1,607,362.70	203,834.47	219,640.30	70,422.69

PSC-A-103 Attachment 4

Service Company 1181
Internal Use Only
September YTD 2009

Cost Elements	5300	5700	5710	5720	5730	6000	7020	7400	7700	9959	9999	Total
— Direct by Function	1,755.37	26,166.11	131.25	65.13	80,750.31	75.93	56,849,545.32	640,949.66	2,731,056.81	333,630.81	2,354.50	135,282,001.98
— Allocated by Function	9,903.48	49,033.54		130,035.64	413,072.13	1,538.50	70,540,783.54	1,457,578.14	7,535,293.41	2,480,370.54	3,433.61	221,615,295.83
— Gross Service Company Bill	11,683.05	75,039.65	131.25	132,120.77	479,030.44	1,614.43	177,390,328.00	2,068,528.10	10,266,333.22	2,814,074.35	5,840.11	350,657,217.84

Donna Mullinax

From: heather.hall@pepcoholdings.com
Sent: Wednesday, February 03, 2010 4:48 PM
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Cc: antonuk@libertyconsultinggroup.com; Padmore Arthur (DOS); CTColumbia@aol.com; dmullinax@blueridgecs.com; holly@raysmithlaw.com; Dillard Janis L (DOS); jimrothschild@rothschildfinancial.com; Handlon Joseph C (DOS); kenton@rlf.com; Walker Kent (DOJ); len.beck@pepcoholdings.com; mgorman@consultbai.com; Sheehy Michael (DOS); mike.vonsteuben@pepcoholdings.com; MMcGarry@blueridgecs.com; mquinan@cblaw.com; pamela.long@pepcoholdings.com; Cherry Philip J. (DNREC); revdenv@aol.com; rsmithla@aol.com; stephen.chriss@wal-mart.com; Neidig Susan B (DOS); todd.goodman@pepcoholdings.com; Satterfield Valerie (DOJ)
Subject: RE: Docket No. 09-414/09-276T: Delmarva's Follow up to PSC-A-185
Attachments: AprilthruDecember2008.xls; March YTD 2009.xls

Please see the attached information which relates to $\boxed{\text{PSC-A-185}}$ referenced below and in your prior email. In the spirit of trying to get something out quickly, attached are 2 files in response to your request for test year information. One files contains information for April 2008 through December 2008 and the other for January 2009 through March 2009. It would take some time to get these reports onto one, so for the sake of time, we are providing the test year amounts in two separate files.

Thanks.

Heather

****

Heather G. Hall
Manager, Regulatory Affairs,
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02/03/2010 04:26 PM

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Subject RE: Docket No. 09-414/09-276T: Delmarva's Responses to PSC-COC-61 and a revised PSC-COS-17

Updated PSC-A-185

Service Co. Bill
Internal Use Only
April-December 2008

	Cost Elements	1000	1500	2000	2310	3015	2500	3000	3010
***	Direct by Function	28,411,755.87	17,623,063.47	5,764.36	2,006.00	1.02	782.02	15,607,164.59	4,469,156.91
**	Executive Management	5,673,258.93	4,678,651.59	290.10		16.86	0.10	806,583.01	1,148,804.07
**	Procurement & Administrative Service	4,286,624.43	2,586,768.44	35,704.68		1.54	2.48	253,434.55	573,336.46
**	Financial Services	6,726,914.53	5,300,279.38	8,050.24		12.41	108.51	811,625.34	2,081,908.29
**	Human Resources	2,409,333.42	1,030,508.12	(3,755.23)		(3.26)		166,823.02	845,209.16
**	Legal & Internal Audit Services	1,944,911.48	1,327,578.95	966.17		1.10		345,231.93	94,295.85
**	Customer Services	22,849,536	24,577,887						
**	Marketing Services	749,451.28	618,566.91	13.08		0.37	1.22	6,402.30	13,627.22
**	Information Technology	(45,165.74)	(78,783.03)	718.21		0.25	(5.67)	(32,450.39)	(19,391.11)
**	Communications Services	661,603.64	428,993.03	137.18		3.08	11.42	73,715.10	141,333.47
**	Environmental & Safety Services	943,336.50	633,892.28	(221.71)				34,843.18	105,577.61
**	Regulated Electric & Gas Delivery	8,314,959	7,268,782					833.87	2,026.33
**	Energy Business	395,104	111,061				229.59	5,478,947.57	1,816,006.64
**	Internal Consulting Services	39,558	28,538						
***	Secondaries Allocated by Function	54,949,424.70	48,512,723.49	41,902.72		32.35	347.65	7,945,989.48	6,802,733.99
**	Cost of Benefits	7,767,492	4,462,881						1,320,278.85
	420201 I/C Lease Expense		65,841						
**	Building Services		65,841						
***	Primaries Allocated by Function	7,767,492	4,528,722						1,320,279
****	Allocated by Function	62,716,917.13	53,041,445.56	41,902.72		32.35	347.65	7,945,989.48	8,123,012.84
*****	Gross Service Company Bill	91,128,673.00	70,664,509.03	47,667.08	2,006.00	33.37	1,129.67	23,553,154.07	12,592,169.75

March YTD 2009 31,199,015.00

$ 122,927,688

Service Co. Bill
Internal Use Only
April-December 2008

Cost Elements	3021	3016	3022	3030	3023	3099	3520	3530	3531
*** Direct by Function	810,659.64	2,556,741.44	346.50	1,578,256.50	75,385.06	424.19	25,826.78	6,811.42	
** Executive Management	19,814.72	530,401.98		611,339.46	702.56	145,101.86	11,636.52	145.08	(0.26)
** Procurement & Administrative Service	2,810.11	216,447.56		25,577.37	63.78	690.19	47,392.28	26.49	
** Financial Services	73,190.82	806,194.61		542,635.85	912.59	53,340.28	15,187.85	315.42	0.39
** Human Resources	(4,868.31)	325,586.95		958.76	(28.52)	(609.96)	(14,987.51)	(21.77)	(0.01)
** Legal & Internal Audit Services	11,095.91	24,627.11		31,223.78	39.40	10,699.32	501.51	7.64	(0.13)
** Customer Services									
** Marketing Services	111.73	6,479.75		207.22	17.40		396.93	4.88	
** Information Technology	2,017.36	(19,939.94)		18,402.40	(73.54)	132.40	1,272.98	(20.37)	
** Communications Services	1,778.41	65,480.05		23,130.27	119.41	6,601.52	3,299.25	36.61	
** Environmental & Safety Services	35.07	31,050.35		33,853.77			(266.05)		
** Regulated Electric & Gas Delivery		769.11		77.12					
** Energy Business	22,324.05	827,243.29		31,420.77	1,339.49			465.49	
** Internal Consulting Services									
*** Secondaries Allocated by Function	128,309.87	2,814,340.82		1,318,826.77	3,092.57	215,955.61	64,433.76	959.47	(0.01)
** Cost of Benefits		509,575.51							
420201 I/C Lease Expense									
** Building Services									
*** Primaries Allocated by Function		509,576							
**** Allocated by Function	128,309.87	3,323,916.33		1,318,826.77	3,092.57	215,955.61	64,433.76	959.47	(0.01)
***** Gross Service Company Bill	938,969.51	5,880,657.77	346.50	2,897,083.27	78,477.63	216,379.80	90,260.54	7,770.89	(0.01)

Service Co. Bill
Internal Use Only
April-December 2008

	Company Code							
Cost Elements	3532	3540	2315	1715	3040	5001	5300	5700
*** Direct by Function	9,973.93	889.20	351,548.23	36,555.12		32,331.92	7,190.67	100,262.04
** Executive Management	19.38	13,687.95	21,505.12	439,654.40	244.60	634.26	588.65	21,367.17
** Procurement & Administrative Service	6.84	132.03	75,399.39	2,561.92		938.83	282.64	6,888.03
** Financial Services	60.03	4,088.37	227,031.04	158,753.31	102.15	2,345.20	(117.98)	39,119.92
** Human Resources	8.73	(833.89)	197,895.08	(2,334.64)	(176.61)	(1,968.55)	(619.69)	624.46
** Legal & Internal Audit Services	1.05	509.71	1,936.34	28,927.06	(34.04)	13,452.01	2,434.64	871.58
** Customer Services								
** Marketing Services	0.39	11.58	2,446.48	43.21		106.55	14.84	411.57
** Information Technology	(5.82)	15.90	(7,718.74)	466.46		201.49	(21.04)	23.08
** Communications Services	5.02	501.53	18,965.99	20,253.79	9.69	695.38	141.30	3,646.70
** Environmental & Safety Services			(1,241.53)					1,219.16
** Regulated Electric & Gas Delivery			26.14					25.61
** Energy Business	(40.48)		323,372.61		183.85			23,463.71
** Internal Consulting Services								
*** Secondaries Allocated by Function	55.14	18,113.18	859,617.92	648,325.51	329.64	16,405.17	2,703.36	97,660.99
** Cost of Benefits								19,909.24
420201 I/C Lease Expense								
** Building Services								
*** Primaries Allocated by Function								19,909
**** Allocated by Function	55.14	18,113.18	859,617.92	648,325.51	329.64	16,405.17	2,703.36	117,570.23
***** Gross Service Company Bill	10,029.07	19,002.38	1,211,166.15	684,880.63	329.64	48,737.09	9,894.03	217,832.27

Service Co. Bill
Internal Use Only
April-December 2008

Cost Elements		5720	5730	6000	7000	7400	7700	9959
***	Direct by Function	49.38	88,211.38	657.28	53,254,663.39	995,544.82	4,280,283.21	192,986.75
**	Executive Management	929.33	155,736.94	16,274.37	13,086,818.32	641,766.64	1,422,101.86	1,700,280.62
**	Procurement & Administrative Service	30,931.62	15,413.47	70.29	5,268,494.37	13,840.34	127,220.97	12,855.79
**	Financial Services	26,624.53	203,041.39	5,298.02	12,950,734.82	130,789.06	1,910,747.09	491,079.78
**	Human Resources	56,590.84	(15,157.39)	(1,330.97)	2,574,997.00	(24,109.21)	2,173,044.08	(63,460.17)
**	Legal & Internal Audit Services		6,289.19	409.08	2,687,815.40	52,597.61	61,526.81	179,389.34
**	Customer Services				6,189,810			
**	Marketing Services		1,383.50	1.11	1,300,680.31	467.31	17,318.94	
**	Information Technology	4,284.71	(219.54)	97.84	259,372.76	1,690.48	61,059.93	2,125.66
**	Communications Services		17,134.45	423.09	1,251,900.09	19,285.95	253,904.36	59,477.13
**	Environmental & Safety Services		4,888.41	(44.34)	1,431,331.43	(399.07)	233,718.75	
**	Regulated Electric & Gas Delivery	23.06			8,933,398	4.61	4.61	
**	Energy Business		94,881.84				1,089.21	
**	Internal Consulting Services				61,281			
***	Secondaries Allocated by Function	119,384.09	483,392.26	21,198.49	55,996,633.46	835,933.72	6,261,736.61	2,381,748.15
**	Cost of Benefits				11,620,105			
	420201 I/C Lease Expense				2,984,133		80,339	
**	Building Services				2,984,133		80,339	
***	Primaries Allocated by Function				14,604,238		80,339	
****	Allocated by Function	119,384.09	483,392.26	21,198.49	70,600,871.15	835,933.72	6,342,075.20	2,381,748.15
*****	Gross Service Company Bill	119,433.47	571,603.64	21,855.77	123,855,534.54	1,831,478.54	10,622,358.41	2,574,734.90

Service Co. Bill
Internal Use Only
April-December 2008

Cost Elements		9999	Total
***	Direct by Function	7,619.23	130,532,912.32
**	Executive Management	7,162.03	31,155,518.22
**	Procurement & Administrative Service	3.90	13,583,920.79
**	Financial Services	2,763.62	32,573,136.86
**	Human Resources	8.03	9,647,321.96
**	Legal & Internal Audit Services	531.27	6,827,837.07
**	Customer Services		53,617,232.94
**	Marketing Services		2,718,166.08
**	Information Technology	0.37	148,087.35
**	Communications Services	287.53	3,052,874.44
**	Environmental & Safety Services		3,451,573.81
**	Regulated Electric & Gas Delivery		24,520,928.84
**	Energy Business		9,127,092.65
**	Internal Consulting Services		129,376.67
***	Secondaries Allocated by Function	10,756.75	190,553,067.68
**	Cost of Benefits		25,700,241.81
	420201 I/C Lease Expense		3,130,312.57
**	Building Services		3,130,312.57
***	Primaries Allocated by Function		28,830,554.38
****	Allocated by Function	10,756.75	219,383,622.06
*****	Gross Service Company Bill	18,375.98	349,916,534.38

Service Co. Bill
Internal Use Only
March YTD 2009

	Cost Elements	1000	1500	2000	3015	2500	3000	3010
**	Executive Management	16,559.00	3,524.00					
**	Procurement & Administrative Service	274,410.30	213,202.00					
**	Financial Services	1,434,189.54	1,255,527.72	664.68	1.10		17,695.62	43,161.57
**	Human Resources	211,752.00	121,076.00					34,312.00
**	Legal & Internal Audit Services	267,833.75	331,907.75				127,019.75	17,397.50
**	Customer Services	639,758.69	370,893.62					996.81
**	Marketing Services	83,980.00	18,013.00					
**	Information Technology	1,831,565.72	1,153,845.67				189,585.19	330,920.20
**	Communications Services	85,448.25	71,652.75					
**	Environmental & Safety Services	297.00	200.00					
**	Regulated Electric & Gas Delivery	4,712,752.21	2,583,328.55				56,021.00	207.00
**	Energy Business	172,450.00	664.00			352.00	4,474,094.72	840,954.50
**	Internal Consulting Services	-	-					
**	Interns	23,584.00	20,048.50					
***	Direct by Function	9,754,580.46	6,143,883.56	664.68	1.10	352.00	4,864,416.28	1,267,949.58
***	Secondaries Allocated by Function	19,570,177.29	17,620,372.25	11,248.60	9.11	12.55	2,356,295.11	2,599,696.13
**	Cost of Benefits	2,472,215.83	1,435,924.70					424,438.38
**	Building Services	2,041.42	18,302.10	-	-	-	-	-
***	Primaries Allocated by Function	2,474,257.25	1,454,226.80	-	-	-	-	424,438.38
****	Allocated by Function	22,044,434.54	19,074,599.05	11,248.60	9.11	12.55	2,356,295.11	3,024,134.51
*****	Gross Service Company Bill	31,799,015.00	25,218,482.61	11,913.28	10.21	364.55	7,220,711.39	4,292,084.09

Service Co. Bill
Internal Use Only
March YTD 2009

Cost Elements	3021	3016	3030	3023	3099	3520	3530	Compai 3532
** Executive Management								
** Procurement & Administrative Service						3,637.00		
** Financial Services	343.12	18,885.74	5,291.16	3.30	84.41	1,677.24	17.54	
** Human Resources		13,372.00						
** Legal & Internal Audit Services		17,190.00						
** Customer Services						5,267.44		
** Marketing Services								
** Information Technology		133,962.74						
** Communications Services								
** Environmental & Safety Services								
** Regulated Electric & Gas Delivery		100.00						
** Energy Business	245,762.00	728,633.50	324,142.00	27,137.00				489.00
** Internal Consulting Services								
** Interns								
*** Direct by Function	246,105.12	912,143.98	329,433.16	27,140.30	84.41	10,581.68	17.54	489.00
*** Secondaries Allocated by Function	35,514.26	1,044,904.63	411,574.44	1,897.14	51,540.72	36,037.54	382.55	
** Cost of Benefits		162,609.51						
** Building Services	-	-	-	-	-	-	-	-
*** Primaries Allocated by Function	-	162,609.51	-	-	-	-	-	-
**** Allocated by Function	35,514.26	1,207,514.14	411,574.44	1,897.14	51,540.72	36,037.54	382.55	-
***** Gross Service Company Bill	281,619.38	2,119,658.12	741,007.60	29,037.44	51,625.13	46,619.22	400.09	489.00

Service Co. Bill
Internal Use Only
March YTD 2009

Cost Elements		ıy Code 3540	2315	1715	3006	5001	5300	5700	5720
**	Executive Management								
**	Procurement & Administrative Service								
**	Financial Services	16.45	1,033.72	6,042.27		95.37	7.68	1,273.73	26.30
**	Human Resources								
**	Legal & Internal Audit Services					7,391.00			
**	Customer Services						494.97		
**	Marketing Services								
**	Information Technology		87,007.26						
**	Communications Services								
**	Environmental & Safety Services								
**	Regulated Electric & Gas Delivery								
**	Energy Business		217,900.16		11,952.00			5,078.00	
**	Internal Consulting Services								
**	Interns								
***	Direct by Function	16.45	305,941.14	6,042.27	11,952.00	7,486.37	502.65	6,351.73	26.30
***	Secondaries Allocated by Function	4,138.06	320,601.35	190,950.58		20,037.09	4,179.55	16,724.47	33,306.23
**	Cost of Benefits								
**	Building Services	-	-	-	-	-	-	-	-
***	Primaries Allocated by Function	-	-	-	-	-	-	-	-
****	Allocated by Function	4,138.06	320,601.35	190,950.58	-	20,037.09	4,179.55	16,724.47	33,306.23
*****	Gross Service Company Bill	4,154.51	626,542.49	196,992.85	11,952.00	27,523.46	4,682.20	23,076.20	33,332.53

Service Co. Bill
Internal Use Only
March YTD 2009

Cost Elements		5730	6000	7000	7400	7700	9959	9999
**	Executive Management	1,690.00		71,762.50		852,003.16		
**	Procurement & Administrative Service			270,698.96		23,437.00		
**	Financial Services	4,589.04	19.73	1,806,067.17	196,306.14	7,537.92	38,306.33	1,124.60
**	Human Resources			384,712.00		69,392.00		
**	Legal & Internal Audit Services			493,726.50	1,432.00	25,202.25	9,236.00	
**	Customer Services			621,743.71				
**	Marketing Services			52,027.00				
**	Information Technology			7,680,104.80		30,301.62		
**	Communications Services			116,448.00				
**	Environmental & Safety Services			17,938.50				
**	Regulated Electric & Gas Delivery	16,839.50		7,195,754.31				
**	Energy Business	10,672.00		-		9,328.00		
**	Internal Consulting Services			708.00				
**	Interns			16,532.50				
***	Direct by Function	33,790.54	19.73	18,728,223.95	197,738.14	1,017,201.95	47,542.33	1,124.60
***	Secondaries Allocated by Function	154,893.29	422.58	19,623,281.31	221,950.65	1,467,720.75	845,074.77	1,511.14
**	Cost of Benefits			3,695,921.31		702,509.52		
**	Building Services	-	-	987,656.04	-	26,779.53	-	-
***	Primaries Allocated by Function	-	-	4,683,577.35	-	729,289.05	-	-
****	Allocated by Function	154,893.29	422.58	24,306,858.66	221,950.65	2,197,009.80	845,074.77	1,511.14
*****	Gross Service Company Bill	188,683.83	442.31	43,035,082.61	419,688.79	3,214,211.75	892,617.10	2,635.74

Service Co. Bill
Internal Use Only
March YTD 2009

Cost Elements		Total
**	Executive Management	945,538.66
**	Procurement & Administrative Service	785,385.26
**	Financial Services	4,839,989.19
**	Human Resources	834,616.00
**	Legal & Internal Audit Services	1,298,336.50
**	Customer Services	1,639,155.24
**	Marketing Services	154,020.00
**	Information Technology	11,437,293.20
**	Communications Services	273,549.00
**	Environmental & Safety Services	18,435.50
**	Regulated Electric & Gas Delivery	14,565,002.57
**	Energy Business	7,069,608.88
**	Internal Consulting Services	708.00
**	Interns	60,165.00
***	Direct by Function	43,921,803.00
***	Secondaries Allocated by Function	66,644,454.14
**	Cost of Benefits	8,893,619.25
**	Building Services	1,034,779.09
***	Primaries Allocated by Function	9,928,398.34
****	Allocated by Function	76,572,852.48
*****	Gross Service Company Bill	120,494,655.48

1076-E-31

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA
1333 H STREET, N.W., SUITE 200, WEST TOWER
WASHINGTON, D.C. 20005

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DISTRICT OF COLUMBIA
PUBLIC SERVICE COMMISSION

ORDER AND REPORT ON PREHEARING CONFERENCE

July 10, 2009

FORMAL CASE NO. 1076, IN THE MATTER OF THE APPLICATION OF THE POTOMAC ELECTRIC POWER COMPANY FOR AUTHORITY TO INCREASE EXISTING RETAIL RATES AND CHARGES FOR ELECTRIC DISTRIBUTION SERVICE, Order No. 15322

I. INTRODUCTION

1. By this Order, the Public Service Commission of the District of Columbia ("Commission") designates the issues in this case and establishes the procedural schedule for this proceeding in which the Commission considers the rate application of the Potomac Electric Power Company ("Pepco" or "Company").

II. BACKGROUND

2. On May 22, 2009, Pepco filed an Application with the Commission requesting authority to increase existing retail rates for electric distribution service in the District of Columbia by $51.7 million, which represents an increase of approximately 13.9 percent in Pepco's distribution revenues.[1] The requested rates are designed to collect $425 million in total distribution revenues. Pepco requests authority to earn an 8.88 percent rate of return, including a return on common equity of 11.50 percent.

3. Pepco uses a test year ending December 31, 2008, as part of its cost of service presentation. Pepco proposes a three year average of pension and other post-employment benefit expenses and uncollectible expenses as an alternative to the actual levels of the costs that the Company is currently incurring. Under the proposal, the Company would recover a three-year rolling average of these costs through a surcharge and would be permitted to defer for future recovery (or refund) the difference between that average and the currently incurred amounts.[2] Pepco represents that it began

[1] *Formal Case No. 1076, In the Matter of the Application of the Potomac Electric Power Company For Authority To Increase Existing Retail Rates and Charges for Electric Distribution Service*, filed May 22, 2009 ("*Formal Case No. 1076*") ("Pepco's Application").

[2] Pepco's Application at 5.

deferring incremental costs associated with the advanced metering infrastructure (AMI)-related initiative contemplated in the Company's Blueprint for the Future, amortizing over three-years the $911,000 that was deferred through December 2008.[3] Pepco proposes a temporary one-year revision to its Rider Residential Aid Discount ("RAD") Surcharge to recover the amount under-collected by the former Reliable Energy Trust Fund ("RETF") Rider. The proposal includes a new Rider "VM" – Volatility Mitigation Surcharge to reflect changes in certain volatile expenses.[4] Further, Pepco proposes to replace the current Standby Rider with a new Schedule "GT-3A-S" that would apply to customers with the behind-the-meter generation that runs in parallel with the Company's delivery system.[5]

4. On June 5, 2009, the Commission published a "Public Notice" in the *D.C. Register* summarizing Pepco's Application and setting July 2, 2009, as the date for a Prehearing Conference.[6] In addition, the Notice indicated that petitions to intervene and proposed issues and procedural schedules should be filed no later than June 19, 2009. The Commission convened a prehearing conference on July 2, 2009, in order to permit the parties to clarify and discuss substantive and procedural issues related to Pepco's Application.[7]

III. PREHEARING CONFERENCE / PROPOSED ISSUES

5. Traditionally the Commission has designated issues by receiving lists of proposed issues from the parties, accepting some proposed issues while rejecting others on grounds of law or policy, or on other grounds including whether it would be more appropriate to consider an issue in another docket.[8] By Order No. 15294, the Commission directed all parties to meet by June 26, 2009, and submit a joint issues list

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3 *Id.* at 5-6.

4 *See* Pepco (G)-6

5 Pepco's Application at 8.

6 *See* 56 *D.C. Reg.* 4423-4427 (2009).

7 By Order No. 15310, the Commission granted the petitions to intervene in this proceeding of the Apartment and Office Building Association of Metropolitan Washington ("AOBA"); the District of Columbia Government ("District Government"); the General Services Administration ("GSA"); the District of Columbia Water and Sewer Authority ("WASA"); Washington Gas Light Company ("WGL"); and the Washington Metropolitan Area Transit Authority ("WMATA"). *See Formal Case No. 1076*, Order No. 15310 (June 24, 2009).

8 Policy decisions pertain to the determination of the precise balance of goals to be obtained in ratemaking, *see, e.g., D.C. Answering Service Comm. v. Public Service Comm'n*, 476 A.2d 1113, 1124 (1984). Well established principles of administrative law supports the Commission's authority to manage its own cases and to select the issues that are appropriate for hearing in a particular case. *Vermont Yankee Nuclear Power Corp. v. NRDC*, 435 U.S. 519, 543-545 (1978); *FCC v. Schreiber*, 381 U.S. 179, 290 (1965).

and a proposed procedural schedule.[9] On June 30, 2009, Pepco filed a consolidated list of issues, a list of non-consensus issues and a procedural schedule.[10] OPC, GSA, and the District Government filed separate proposed issues and/or comments on Pepco's Application in this proceeding. A discussion of the proposed issues follows.

A. Consolidated Issues

6. The consolidated issues address, among other things: (i) the reasonableness of Pepco's rate base, test year and cost of service; (ii) the reasonableness of Pepco's rate design proposals and tariff changes; (iii) the reasonableness of Pepco's proposed distribution of its revenue requirement among rate classes; (iv) the reasonableness of Pepco's proposed Standby Service Schedule GT-3A-S; and (v) the reasonableness of Pepco's depreciation study.[11] The Commission concludes that the proposed consolidated issues should be designated with some modifications. Further, the Commission believes that there is also a need to designate a number of the non-consensus issues in order to facilitate an orderly adjudication of the case.[12]

B. Issues Not Agreed Upon

7. There were 27 issues and sub-issues[13] on which the parties could not reach consensus, although Pepco indicated at the prehearing that it would not object to the designation of non-consensus issues number 6, 9, 13, 13(d) and 14 with some language modifications.[14] OPC submits that the Commission needs to designate issues and sub-

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9 Order No. 15294 (June 5, 2009).

10 *Formal Case No. 1076*, Proposed Procedural Schedule, Consolidated List of Issues, Issues Not Agreed Upon, filed June 30, 2009 ("Consolidated/Non-consensus issues").

11 Consolidated/Non-consensus issues at 1-3.

12 Orders designating the issues to be heard in a particular case are viewed as non-final orders not subject to appeal or a motion for reconsideration. *See* 15 DCMR § 140 (1982), D.C. Code § 34-604(b). *See also Washington Urban League, Inc. v. PSC*, 295 A.2d 906, 908 (1972) (order is not final when it defines the issues to be examined in rate hearing and limits evidence to that which is relevant to those issues).

13 Consolidated/Non-consensus issues at 3-4.

14 Non-consensus issue 6 asks, "Should Pepco's tariffs permit submetering in master-metered apartments?"; Non-consensus issue 9 asks, "If the Commission determines it has jurisdiction to decide, and then does decide, that the eligibility criterion for participation in the RAD Utility Discount Program should be increased from 150% of the Federal Poverty Line to 60% of DC Median Income, would the District need to recover a greater percentage of the authorized RAD subsidy in Pepco's distribution rates to cover costs associated with any expected increase in RAD participation? If so, how much? Could the RAD subsidy be included in base rates, or would it be necessary to utilize a distribution rider applicable to non-RAD customers?"; Non-consensus issue 13 asks, "Is Pepco's Proposal to Recover a Rolling Three-year Average of Pension Costs, Other Post-Employment Benefits, and Uncollectible Expenses through a Surcharge, and to Defer for Future Recovery or Refund the Difference between the Average and the Actual

issues that will give the parties an opportunity to develop a clear and comprehensive record.[15] Pepco argues generally that most of the non-consensus issues mischaracterize inapplicable legal standards, limit the Company's proposal to Commission precedent, or proffer issues that are not recognized criteria for determining the just and reasonableness of the proposal.[16] OPC counters that it believes that the Commission should adopt a number of the non-consensus issues and sub-issues proposed by it and other intervenors, which should be delineated specifically to avoid discovery disputes between the Company and the parties.[17] As we indicated above, the Commission has broad discretion in designating issues that narrow the focus of the evidentiary hearing to matters in controversy, and we agree with OPC and the parties that many of the non-consensus issues are appropriate for consideration in this rate proceeding. We will address some of Pepco's specific objections to the non-consensus issues.

8. Pepco contends that non-consensus issue 1[18] is formulated in a manner that mischaracterizes the legal standard for judging the just and reasonableness of proposed additions to rate base, noting that the Commission in Formal Case No. 1053, declined to make the general reliability of the Company an issue in the rate proceeding.[19] Pepco contends that non-consensus issue 4 similarly goes to general reliability issues.[20] OPC argues that because Pepco is requesting $15.8 million for reliability improvement projects, the costs are at issue and the Commission needs to be certain that the requested amount is going to fix the problems that exist in the District of Columbia.[21] The Commission agrees with Pepco that non-consensus issues 1 and 4 address general reliability issues and electric quality of service standards ("EQSS") that the Commission is assessing in Formal Case Nos. 766, 982 and 1002, among others.[22] Accordingly, the

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Incurred Amounts, Just and Reasonable?"; Non-consensus issue 13(d) asks, "Is Pepco's Alternative Deferral Proposal Just and Reasonable?"; and Non-consensus issue 14 asks, "Is Pepco's proposed pension/OPEB/uncollectible expense surcharge reasonable and appropriate?"

15 *Formal Case No. 1076*, OPC's Statement of Proposed Issues and Proposed Procedural Schedule, filed June 29, 2009 ("OPC's Issues").

16 *Formal Case No. 1076*, Pepco's Opposition to Designation of Certain Issues ("Pepco Opposition"), filed June 30, 2009.

17 *Formal Case No. 1076*, July 2, 2009, Pre-hearing Conference Transcript ("Tr.") at 33.

18 Non-consensus issue 1 asks, "Are Pepco's proposed additions to rate base sufficient to improve the reliability of any facilities, e.g., feeders that have been most problematic in recent years?

19 Pepco Opposition at 2-3.

20 Non-consensus issue 4 asks, "Are the reliability and quality of distribution service provided by Pepco safe, adequate and in all respects just and reasonable?"

21 Tr. at 34-35.

22 *See Formal Case No. 982, In the Matter of the Investigation of Pepco Regarding Interruption To Electric Energy Service and Formal Case No. 1002, In the Matter of the Joint Application of Pepco and the New RC, Inc. For Authorization and Approval of Merger Transaction.*

Commission declines to designate non-consensus issues 1 and 4 for consideration in this proceeding.

9. Pepco, for the most part, agrees that, if properly stated, non-consensus issue 3, addressing Pepco's benchmarks and whether they establish the reasonableness of the PHI service company charges to Pepco should be designated for Commission consideration.[23] The Commission has modified the issues and designated an appropriate issue for consideration.

10. Non-consensus issue 5 asks, "Has Pepco shown that the service company charges included in its revenue requirements calculations are equal to or less than (a) those it would have incurred if the affected services were provided by utility personnel; (b) the costs that other utilities incur for the performance of similar services; and (c) the costs of obtaining such services through competitive procurements from third-party vendors?" Pepco argues that the sub-issues are argumentative in nature, and therefore will not solicit evidence as to what the appropriate standard is for reviewing the reasonableness of the service company costs charged by Pepco.[24] We agree and decline to designate the issue for consideration.

11. Pepco believes that it is not practical to designate non-consensus issue 7 for consideration in this proceeding since the Commission has not approved Pepco's proposed Bill Stabilization Adjustment ("BSA"), which it contends is a compliance mechanism which will be subject to corrective action once and if implemented.[25] AOBA contend that the updating of usage and revenue requirements information may have a significant impact on projected BSA adjustments that should be considered in this case and not emerge for the first time in a compliance filing at the conclusion of this rate proceeding.[26] Based on Pepco's BSA proposal in Formal Case No. 1053, Phase II, the test year, which is considered the baseline for the BSA, would be automatically updated to reflect data (i.e. revenues and customers) from the most current approved rates. As such, the BSA's baseline would be automatically adjusted to reflect the approved test year data at the conclusion of this proceeding. The Commission will issue a decision in Formal Case No. 1053, Phase II after all the information is received.[27] Thus, there is no need to re-litigate the test year issue in this proceeding.

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23 Tr. at 21-22. Non-consensus issue 2 asks, "Is Pepco's proposed surcharge and deferral mechanism consistent with Commission precedent?"; Non-consensus issue 3 asks, "Are the Benchmark results in compliance with the requirements of Paragraph 170 of Order No. 14712?"

24 Tr. at 24.

25 Non-consensus issue 7 asks, "Should the data underlying a revenue adjustment mechanism, e.g., BSA, be updated and/or adjusted to reflect test year conditions and changes in usage in this proceeding?"

26 Tr. at 58.

12. The District Government is the proponent of non-consensus issue 8 which proposes to address the impact of the Clean and Affordable Energy Act ("Act") on Pepco's proposed rates.[28] Pepco contends that the Act does not contain any requirement that these matters be considered in the context of a rate proceeding as compared to other proceedings, for example, where the Commission is considering Pepco's proposal on AMI or other measures Pepco is proposing to improve the conservation of natural resources to benefit environmental quality.[29] The District counters that Title IV of the Act places a mandate on the Commission to consider these matters in supervising and regulating utility and energy companies.[30] Although we agree that the Act places some requirements on the Commission in exercising its oversight authority over regulated entities, it does not require, and the Commission is not persuaded that, consideration of these issues in this proceeding would address the underlying elements of Pepco's rate application. Further, the Commission is already examining environmental and efficiency issues in Formal Case No. 945. Accordingly, we decline to designate non-consensus issue 8 in this proceeding as recommended by the District Government. The Commission will, however, include a sub-issue addressing the Act's impact on the CG-SPP tariff in the issue addressing the reasonableness of Pepco's proposed tariff changes.

13. All the parties, including Pepco, agree that a determination of the appropriateness of Pepco's test year sales and revenues should be considered in this case. However, Pepco disagrees on the sub-issue components of non-consensus issue 10.[31] Pepco argues that there is no legal requirement or precedent for adjustments to take into account the effects of the economic recession or for energy efficiency and conservation measures.[32] The parties did not submit any countervailing arguments for delineating these sub-issues. The Commission has historically designated issues concerning the reasonableness of Pepco's test year sales and revenue and will do so in this proceeding

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27 *See Formal Case No. 1053, In the Matter of the Application of the Potomac Electric Power Company For Authority To Increase Existing Retail Rates and Charges for Electric Distribution Service,* Order No. 15316 (June 29, 2009).

28 Non-consensus issue 8 asks, "As mandated for the Commission's consideration by Title IV of the Clean and Affordable Energy Act, how does Pepco's proposed rate application: conserve natural resources in the District of Columbia; impact the environmental quality in the District of Columbia?" *See also Formal Case No. 1076,* District of Columbia Government's Statement of Proposed Issues, filed June 29, 2009.

29 Tr. at 27.

30 Tr. at 63.

31 Non-consensus issue 10 asks, "Are PEPCO test year sales and revenue appropriate?; (a) What adjustments to test year sales and revenue are appropriate to account for the effects of the economic recession?; (b) What adjustments to test year sales and revenue are appropriate to account for energy efficiency and conservation: (i) resulting from Company sponsored programs; (ii) Resulting from customer initiatives and/or changes in law and regulations (e.g., appliance standards, building codes, tax incentives)."

32 Pepco Opposition at 8-9. *See also* Tr. at 28-29.

addressing whether Pepco properly weather-normalized its sales and revenue.[33] We decline, however, to adopt the proposed sub-issues because the parties have failed to explain how the Company should make sales and revenue adjustments that account for the recession or for energy efficiency and conservation, and because of the highly speculative nature of the evidence that would be required to support such adjustments in any event.

14. GSA is the proponent of non-consensus issues 11 and 12.[34] Other than indicating that GSA offered the recommendations as placeholders, GSA's counsel was not able to offer any explanation in support of their designation or whether it would even submit evidence on those issues.[35] Pepco contends that it has not offered any changes in the CG-SPP tariff or the terms and conditions of its tariffs that relate to distributed generation.[36] As indicated earlier, in view of the CAEA requirements to increase the net metering size and the issuance of the final rules in Small Generator Interconnection Standards in Formal Case No. 1050, we will designate an issue to determine whether Schedule CG-SPP should be modified.[37] However, we decline to designate non-consensus issues 11 and 12 as placeholder issues without any supporting rationale or argument for doing so.

15. As to non-consensus issues 2, 13, and 14, other than its objection to OPC's proposed sub-issues 13, (a), (b) and (c), Pepco essentially agrees with the parties that these issues, examining the reasonableness of Pepco's surcharge for pension/OPEB/ uncollectible expenses should be designated for consideration in the case. We agree with Pepco that the issues should be restated. The Commission has designated an appropriate issue and sub-issue to address this matter.

IV. SUPPLEMENTAL ISSUES

16. As indicated at the prehearing conference, the Commission modified consensus issue 11 (depreciation), on which Pepco is required to file supplemental testimony. In Order No. 14712, the Commission noted that in the past Pepco maintained a "blended" jurisdictional depreciation reserve. Pepco's reliance on a "blended"

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33 *See Formal Case No. 1053, In the Matter of the Application of the Potomac Electric Power Company For Authority To Increase Existing Retail Rates and Charges for Electric Distribution Service,* Order No. 14232, Attachment A (March 8, 2007).

34 *See Formal Case No. 1076,* GSA's Statement of Proposed Issues, filed June 24, 2009. Non-consensus issues 11 and 12 ask, respectively, "Is Pepco's proposed Schedule CG-SPP properly designed to reflect reasonable interconnection requirements and charges?; Do Pepco's proposed terms and conditions of service impose any unreasonable impediments to the market penetration of distributed generation resources?"

35 Tr. at 71-74.

36 Tr. at 29.

37 *See* ¶ 12 *supra.*

depreciation revenue resulted in Pepco's understating the depreciation reserve by over $130 million in Maryland's most recent electric depreciation case.[38] Additionally, the Commission directed Pepco to place into service by March 1, 2008, a system that would maintain depreciation expense, accumulated depreciation reserve, cost of removal, and salvage information separated by jurisdiction and by FERC account each month. Subsequently, Pepco notified the Commission that this system had been put in service as of January 2008.[39] The Commission also ordered that Pepco file a depreciation study at least 90 days prior to its next general rate case filing.[40] Pepco filed a depreciation study on December 30, 2008.[41] The Commission's review of the depreciation study has identified several areas that require supplemental testimony.

17. In Pepco's instant Application, Pepco Witness Browning testified that, instead of using the District of Columbia book reserve amounts in the depreciation study, Pepco uses a simulated reserve based on the Company's historical approved District of Columbia depreciation rates for the general plant accounts.[42] The Commission would like to review a study based on the jurisdictional District of Columbia book reserves.

18. We also note that Pepco's depreciation study proposes a different accounting for future cost of removal from that currently approved in Maryland. In Maryland, future cost of removal is accounted for on a present value basis rather than on a nominal basis.[43] This method is consistent with Statement of Financial Accounting Standards 143, and FERC Order 631. Under both standards the future cost of removal is effectively stated as the present value of future dollars. The Commission would also like to review a depreciation study based on the present value of the future net salvage.

19. Accordingly, Pepco is hereby ordered to recalculate the depreciation study based on District of Columbia book reserves for all plant assets and the calculation of its future net cost of removal on the SFAS 143-present value basis. The discount rate used in the SFAS 143-present value calculations shall be the 7.96 percent current approved cost of capital for Pepco in the District of Columbia jurisdiction as approved by the Commission in Formal Case No. 1053.[44] This recalculation shall use the SFAS 143-

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38 *See Formal Case No. 1053*, Order No. 14712, ¶¶ 130-132.

39 *See Formal Case No. 1053*, Pepco' Response to Commission Staff Data Request, Question 7(a), filed May 12, 2009.

40 Order No. 14712 ¶ 129.

41 *See Formal Case No. 1053*, Depreciation Study, Calculated Annual Depreciation Accruals Related to Electric Distribution and General Plant of PEPCO as of December 31, 2007 (Dec. 30, 2008).

42 Pepco (F), p. 22 to 24.

43 *See* Maryland Public Service Commission Case No. 9092, Order No. 81517, p.14 (July 19, 2007).

44 Order No. 14712, ¶ 60.

present value calculations as incorporated in the depreciation rates currently in effect in the State of Maryland.[45] A revised depreciation study with the two changes described above shall be submitted as a supplemental filing by July 27, 2009.

20. Finally, at the prehearing conference the Commission Chair inquired whether the Commission's Formal Case No. 1074 proceeding on Pepco's May 1, 2009, petition seeking regulatory asset treatment of its employee benefit pension costs was the same issue being addressed by Pepco Witness Hook's testimony in the Company's rate application (Pepco (C) at 21-25).[46] Pepco's replied that the issues are not the same because Formal Case No. 1074 deals with the general treatment of the costs, which are independent of the specific ratemaking proposal contained in the Company's application.[47] Pepco appears to concede that the timing of the Commission's determination was the primary reason for recommending that the Commission keep the regulatory asset determination on a separate track from this rate case. However, it is obvious that Pepco's request for special rate treatment should now be considered in the context of this rate proceeding along with our consideration of Pepco's other operating expenses. It would be inefficient and a waste of the Commission's limited resources to simultaneously conduct two proceedings concerning the ratemaking treatment of Pepco's pension-related expenses. Accordingly, the Commission, *sua sponte*, closes Formal Case No. 1074 and transfers the consideration of the Company's request seeking regulatory asset treatment of its employee benefit pension costs from Formal Case No. 1074 into this rate case.[48] We have designated an issue to address the reasonableness of the Company's deferral proposal.

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45 The SFAS 143-present value calculations shall apply to all future Net Salvage, including both Asset Retirement Obligations and other future net Removal Costs. Specifically, the SFAS 143-present value formulas incorporated into the depreciation rates currently in effect in the State of Maryland for the Baltimore Gas and Electric Co. (BGE) are to be used. In Maryland these BGE depreciation rates went into effect by action of the legislature (Chapter 133, Md. Laws 2008, Maryland Public Service Commission Case No. 9096). As occurs in the Maryland calculations, the Net Salvage percents filed by Pepco shall be used as inputs to the SFAS 143-Present Value calculation (in this current rate proceeding these Net Salvage percents are shown on pages III-4 and III-6 of the Pepco filed "Depreciation Study Calculated Annual Depreciation Accruals Related to Electric Distribution And General Plant As of December 31, 2007").

46 Tr. at 17-19

47 *Id.* at 18.

48 On July 1, 2009, OPC filed a motion to dismiss Pepco's May 1st petition. Our decision renders OPC's motion as moot. *See Formal Case No. 1074, In the Matter of the Petition of Pepco to Establish a Regulatory Asset Resulting from the Impact of Recent Economic Developments on Pension Costs*, OPC Motion to Dismiss, filed July 1, 2009.

V. PROCEDURAL RULES AND SCHEDULE

A. Procedural Rules

21. This case is a general ratemaking proceeding. As such, it is governed by Chapters 1 and 2 of the Commission's Rules of Practice and Procedure.[49] All amended and supplemental testimony filings shall be organized in accordance with the designation of issues and sub-issues set forth in Attachment A. Disputes regarding facts and conclusions asserted in prefiled testimony and exhibits filed by the parties must be precisely identified in the amended and supplemental testimony.

22. The filings also shall include tables specifically identifying for each issue all testimony and exhibits relied upon. All parties filing testimony in this proceeding on more than two issues shall file and serve with the testimony an Issue Index to the party's direct, supplemental, and rebuttal testimony. The index shall identify, by issue and sub-issue, all testimony and exhibits relied upon with respect to that issue. With any filing, the parties also shall include tables demonstrating the revenue impact of each adjustment to Pepco's cost of service.[50]

23. All filings made with the Commission must be electronically filed (e-filed) using the Portable Document Format (PDF). Documents created in Microsoft Word, Excel, and other software programs must be converted to PDF before submission to the Commission. Parties also shall file with the Commission 15 paper copies of each e-filed document within one business day of submission of the e-filing. Parties must ensure that the paper copies are identical to the e-filed document. To ensure that the electronic and paper filings are the same, parties are strongly encouraged to make their paper copies from the PDF version of the filing. Parties not yet registered as users with the Commission's eDocket system may do so by accessing the Commission's website: www.dcpsc.org/edocket/newuser.asp?fmode=N, reviewing and completing the application for Account – Letter of Assurance, and submitting an electronic and paper copy of the application to the Commission.

24. OPC requested that the Commission consider waiving the Commission rules and allowing parties to serve each other electronically with hard copies to follow.[51] AOBA stated that it would still like to receive hard copies, even though it was amenable to serving parties electronically.[52] The Commission will grant the parties' request and

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49 15 DCMR §§ 100 & 200 (1981).

50 At the prehearing conference, the Commission directed the parties to file all workpapers and supporting analysis in electronic format with all internal links and spreadsheet references and supporting files intact. *See* Tr. at 75-76.

51 Tr. 77-80.

52 Tr. 81.

waive Commission Rule 115.5.[53] Service of pleadings or any other documents shall be electronically transmitted, and the date of the electronic transmission shall constitute the date of service. The Commission also will accede to the parties' request that hard copies of documents are to follow, but we are placing all parties on notice that the Commission will be examining its rules with the intent of eliminating this duplicative filing requirement.[54]

25. The parties will cross-examine other parties' witnesses in the following order: Pepco, OPC, and Intervenors in alphabetical order. Evidence shall be presented in the following order:

Pepco	(Direct case)
OPC	(Entire case)
Inteveronors	(Entire case)
Pepco	(Rebuttal case)

B. Procedural Schedule

26. The parties were able to agree on a procedural schedule and the approved procedural schedule is set forth in Attachment B.

THEREFORE, IT IS ORDERED THAT:

27. The issues designated for this proceeding are identified in Attachment A; and

28. The procedural schedule for this proceeding is set forth in Attachment B.

A TRUE COPY: **BY DIRECTION OF THE COMMISSION:**

D Wideman

CHIEF CLERK **DOROTHY WIDEMAN**
COMMISSION SECRETARY

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53 15 DCMR § 115.5 (service of pleadings and other documents shall be made by delivering in person or by depositing in the United States mail, properly addressed, with first-class postage prepaid, one copy of the pleading to each party).

54 Pepco shall provide parties a list of the parties that have executed a confidentiality agreement with the Company to facilitate the service of confidential documents between the parties.

FC 1076
Attachment A
Order No. 15322

FORMAL CASE NO. 1076, IN THE MATTER OF THE APPLICATION OF THE POTOMAC ELECTRIC POWER COMPANY FOR AUTHORITY TO INCREASE EXISTING RETAIL RATES AND CHARGES FOR ELECTRIC DISTRIBUTION SERVICE

DESIGNATED ISSUES

1. Is Pepco's proposed test year ending December 31, 2008, reasonable?

2. Has Pepco properly computed its proposed rate base?

   a. Is Pepco's proposed 13-month average rate base reasonable?

   b. Is the construction work in progress that Pepco included in the rate base reasonable?

   c. Is Pepco's proposed cash working capital allowance reasonable?

3. Are Pepco's test year-sales and revenues appropriate?

   a. Has Pepco properly weather-normalized its sales and revenue?

4. Are Pepco's requested costs of capital and capital structure reasonable?

   a. What cost of common equity should Pepco be allowed to earn?

   b. Has Pepco properly determined its cost of debt?

   c. Is the capital structure that Pepco uses to develop its overall cost of capital reasonable and appropriate?

   d. If Pepco is permitted to implement the surcharge and deferral mechanism that it has proposed, should there be a reduction in Pepco's authorized return on equity ("ROE") to account for the Company's reduced business risk? If so, by how much should the authorized ROE be reduced?

   e. Should Pepco's authorized ROE be adjusted downward to reflect reduced risk resulting from the Company's proposed implementation of a Bill Stabilization Adjustment and, if so, by how many basis points?

5. Is each of Pepco's proposed adjustments to test-year operating expenses just and reasonable?

   a. Is the level of Pension and OPEB expenses in the revenue requirement just and reasonable?

   b. Do Pepco's representations regarding number of employees and employee-related expenses accurately portray the number of employees and employee-related expenses that the Company will experience during the rate effective period?

6. Is Pepco's depreciation study reasonable?

   a. Are Pepco's proposed depreciation rates computed with the appropriate District of Columbia book reserve?

   b. Is Pepco's accumulated depreciation reserve computed accurately based on District of Columbia's jurisdictional amounts?

   c. Is Pepco's Net Salvage/Net Removal Cost properly computed?

   d. Is Pepco correctly recording its gross salvage value in accordance with FERC's Uniform System of Accounts?

7. Are the PHI Service Company costs charged by Pepco reasonable?

   a. Are the benchmarks filed by Pepco reasonable and do they support the costs charged to Pepco?

8. Is Pepco's proposal to recover a rolling three-year average of pension costs, other post-employment benefits, and uncollectible expenses through a surcharge, and to defer for future recovery or refund the difference between the average and actual incurred amounts, reasonable?

   a. Is Pepco's alternative deferral proposal reasonable?

9. Is Pepco's proposal to include in proposed rates amounts previously expended for AMI reasonable?

10. Does Pepco's presentation of its revenue requirements properly reflect the impacts of any changes in District of Columbia and Federal tax regulations?

11. Are Pepco's proposed jurisdictional cost allocations for distribution service reasonable?

12. Is Pepco's proposed distribution of its revenue requirements reasonable?

    a. Is Pepco's proposed Class Cost Allocation Study reasonable?

13. Are Pepco's proposed rate designs just and reasonable?

    a. Are the rate designs by classes reasonable?

    b. Has Pepco properly adjusted its miscellaneous service charges, e.g., disconnect, reconnect, return check, meter testing, etc.?

    c. Is Pepco's proposal to eliminate the current Standby Service Schedule S tariff reasonable?

    d. Is Pepco's proposed Standby Service Schedule GT-3a-S tariff properly designed?

    e. Is Pepco's proposed change in rate design to the rate schedule for Street Lighting (SL) reasonable?

    f. Is Pepco's proposed change in rate design to the rate schedule for Traffic Signals (TS) reasonable?

14. Are Pepco's proposed tariff changes reasonable?

    a. In view of the Clean and Affordable Energy Act of 2008 ("CAEA") requirements to increase the net metering size and issuance of the final rules in Small Generator Interconnection Standards in Formal Case No. 1050, should Schedule CG-SPP be modified? If so, what should be the modification?

    b. What changes to the tariffs are needed in order to address the CAEA requirement to allow submetering for non-residential rental units?

    c. Does Pepco properly classify and bill Temporary Service rate customers? Should the Temporary Service rates (Schedule T) be changed? Should there be a maximum time period established for "Temporary Service" rates?

FC 1076
Attachment A
Order No. 15322

15. According to the Pepco/Conectiv Merger Settlement Agreement, the RAD distribution price cap will be lifted on August 31, 2009.

   a. Should RAD distribution rates be maintained at the same level or should they be altered as a result of changing revenue requirements from this rate case?

   b. Should the RAD surcharge be adjusted to accommodate Pepco's request to increase the RAD surcharge by roughly $1 million (Pepco (G) at 13)?

   c. Should RAD distribution rates or the RAD surcharge be adjusted to accommodate any increase in participation resulting from changing the RAD Utility Discount Program eligibility criterion as recently proposed by DDOE?[1]

[1] This refers to DDOE's request to increase the eligibility criterion from 150% of the Federal Poverty Level to 60% of the D.C. Median Income.

FC 1076
Attachment B
Order No. 15322

FORMAL CASE NO. 1076, IN THE MATTER OF THE APPLICATION OF THE POTOMAC ELECTRIC POWER COMPANY FOR AUTHORITY TO INCREASE EXISTING RETAIL RATES AND CHARGES FOR ELECTRIC DISTRIBUTION SERVICE

PROCEDURAL SCHEDULE

1.	Prehearing Conference	July 2, 2009
2.	Prehearing Conference Order and Report on Pre-hearing Conference Issued	July 10, 2009
3.	PEPCO Supplemental Direct Testimony	July 27, 2009
4.	Data Requests to PEPCO Regarding Application and Direct and Supplemental Testimony	August 4, 2009
5.	PEPCO Responses to Data Requests on Application and Direct and Supplemental Testimony	August 25, 2009
6.	Direct Testimony Exhibits and Workpapers of OPC and Intervenors	September 17, 2009
7.	Data Requests Regarding Testimony Filed on September 17, 2009	September 22, 2009
8.	All Responses to Data Requests regarding Testimony Filed on September 17, 2009	October 7, 2009
9.	Settlement and Stipulation Conference	October 9, 2009
10.	Parties report on Settlement and Stipulation Conference	October 13, 2009
11.	Rebuttal Testimony, Exhibits, and Workpapers by all Parties	October 22, 2009
12.	Data Requests Relative to Rebuttal Testimony Filed on October 22, 2009	October 27, 2009
13.	Responses to Data Requests Relating to Rebuttal Testimony Filed on October 22, 2009	November 4, 2009
14.	Evidentiary Hearings	November 9, 10, 12, 13
15.	Community Hearings (Place and Time to be Established)	(TBD)

FC 1076
Attachment B
Order No. 15322

16.	Motions to Correct Transcript and Corrected Final List of Cross – Examination Exhibits	November 18, 2009
17.	All Initial Post Hearing Briefs	December 9, 2009
18.	All Reply Briefs	December 22, 2009
19.	PEPCO Compliance Filing to submit revised tariff pages pursuant to PSC Final Order	TBD

FC 1076 - E - 384

Office of the People's Counsel
District of Columbia
1133 15th Street, NW • Suite 500 • Washington, DC 20005-2710
202.727.3071 • FAX 202.727.1014 • TTY/TDD 202.727.2876

Elizabeth A. Noël
People's Counsel

December 9, 2009

VIA ELECTRONIC FILING
Dorothy Wideman
Commission Secretary
Public Service Commission
of the District of Columbia
1333 H Street, N.W.
Second Floor West Tower
Washington, D.C. 20005

Re: **Formal Case No. 1076, In the Matter of the Application of Potomac Electric Power Company For Authority To Increase Existing Retail Rates and Charges For Electric Distribution Service**

Dear Ms. Wideman:

Enclosed for filing in the above-referenced proceeding are an original and fifteen (15) copies of the Initial Post-Hearing Brief of the Office of the People's Counsel (Public Version).

If there are any questions regarding this matter, please contact me at (202) 727-3071.

Sincerely,

Brian O. Edmonds

Brian O. Edmonds, Esq.
Assistant People's Counsel

Enclosure

cc: Parties of record

(direct and allocated) were 34.86% of the total PHI Service Company charges and the charges to the D.C. jurisdiction for affiliated services were $41,308,000, representing 47.02% of Pepco's 2008 test year D.C. O&M expenses.[390] Notwithstanding the obvious importance of these charges to the justness and reasonableness of Pepco's overall rates, the Commission does not have before it the evidentiary basis upon which to evaluate the reasonableness of the PHI Service Company charges. As discussed below, the audit ordered by the Commission in Order No. 14712 in Formal Case No. 1053 has not been conducted and Pepco has failed to provide enough other information to permit a meaningful evaluation of the charges.

The Office submits that the failure of Pepco to carry its burden of proof on this issue justifies rejection of some or all of the PHI Service Company charges from the rates approved in this proceeding. Alternatively, the Office presents below certain recommendations on how to proceed in the face of the current inadequate evidentiary record.

A. Affiliate Transactions Must be Carefully Scrutinized in Order to Protect Consumers From Abuse.

An affiliate transaction is a transaction for goods or services between two companies which share common ownership through a holding company structure. The holding company exercises control over its subsidiaries through the ownership of the stock of those subsidiaries. This control is enhanced through the appointment of common directors and officers throughout the corporation and the creation of service agreements and other agreements which bind the separate subsidiaries to the overall corporate goals

[390] *See* Exhibit OPC (C)-1.

AOBA

APARTMENT AND OFFICE BUILDING
ASSOCIATION OF
METROPOLITAN WASHINGTON

December 9, 2009

Electronic Filing and Federal Express

Dorothy Wideman
Commission Secretary
D.C. Public Service Commission
1333 H Street, N.W.
Second Floor, West Tower
Washington, D.C. 20005

Re: Application of **Potomac Electric Power Company**
For Authority to Increase Existing Retail Rates and Charges for Electric Distribution Service
Formal Case No. 1076

Dear Ms. Wideman:

Enclosed please find an original and fifteen (15) copies of the Initial Brief of the Apartment and Office Building Association of Metropolitan Washington.

Also enclosed is an additional copy. Please stamp the additional copy and return it to me in the enclosed envelope. Please call me if you have any questions. Thank you for your attention in this matter.

Sincerely,

Frann G. Francis

Frann G. Francis
Senior Vice-President and General Counsel

cc: All parties of record
Formal Case No. 1076

BOMA
1050 17th Street, NW, Washington, DC 20036
Phone: 202-296-3390 • Fax: 202-296-3399 • Email: webmaster@aoba-metro.org
URL: http://www.aoba-metro.org

regarding appropriate service lives and net salvage costs of AMI-equipment. Second, the Commission should seek a more sound and more fully developed basis for the assumptions underlying Pepco's determination of depreciation expense for AMI-compatible meters.

ISSUE NO. 7:

Are the PHI Service Company costs charged by Pepco reasonable?

a. *Are the benchmarks filed by Pepco reasonable and do they support the costs charged to Pepco?*

Pepco has not demonstrated that the service company charges it proposes to include in its revenue requirement are reasonable and justified. AOBA submits that none of the components of the service company charges that Pepco proposes to include in its revenue requirement in this case has been properly justified. Pepco has offered no evidence that the costs of the services obtained through its service company are less than or equal to those the Company would incur if it either provided those services itself or obtained the same services from an independent third-party. In addition, Pepco has failed to demonstrate that charges it is billed by the PHI service Company are reasonably in-line with the costs that other electric distribution utilities incur for similar services. The Commission should deny the Company any increase in Service Company charges over the levels currently included in Pepco's rates for its District of Columbia distribution service.

The Commission must carefully scrutinize the relationship between Pepco and the PHI Service Company to determine the prudence of these charges. In response to Staff Data Request 2-21 in this proceeding, Pepco provided a copy of the "Service Agreement" under which it purchases services from the PHI Service Company. Unlike the contracts that Pepco would typically enter into with third-party suppliers, the "Service Agreement" between Pepco and PHI places no limitations on the dollar amounts or number of hours that the Service Company can bill to Pepco. It also includes no

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No.: PSC-A-24
Provide a detailed description of all efforts by the Company to manage and reduce the amount of uncollectibles from 2003 to 2009. Include supporting documentation.

RESPONSE:

The Company has engaged in some efforts to reduce its uncollectibles from 2003 through 2009. Below are listed the major activities that have taken place during that time period:

- Match-Up Report (transfer uncollectibles balances to eligible accounts) –This is a new (2008) report based on the expansion of the previous Credit Check Exception Report. The Match-Up Report provides the Company the ability to associate existing overdue balances with new customer sign-ups through the matching of Social Security Numbers for residential customers and SSN and/or Tax ID number for non-residential customers. Through the use of these identifiers, the Company has reduced the amount of uncollected revenue from those customers who would use an alias to defraud the company of appropriately billed revenues.
- Account Deposit Policy and Procedure – While the Company did not make any changes in its policy and/or procedures with respect to account deposits, it has become more vigilant in adhering to the stated policies and procedures.
- Sold receivables to third party - In March, 2007 Delmarva Power sold $23.6MM in uncollectible debts to Arrow Financial services. This was a one-time project /effort to improve the collections by selling these to an outside agency and has not been repeated since.

Respondent: W. Michael VonSteuben

PSC DOCKET NO. 09-414 & 09-276T
STAFF'S ACCOUNTING SET OF DATA REQUESTS TO
DELMARVA POWER & LIGHT COMPANY

Question No. : PSC-A-25
Provide a quantification of reductions in uncollectibles resulting from efforts by the Company to manage and reduce the amount of uncollectibles from 2003 to 2009.

RESPONSE:
Quantification of Reductions in Uncollectibles from '03-'09:

YEAR	RECOVERED	PAID TO AGENCY
2009(YTD Nov)	$2,314,000	$343,000
2008	$2,377,000	$431,000
2007	$2,070,000	$376,000
2006	$2,172,000	$318,000
2005	$1,947,950	$305,000
2004	$2,019,040	$296,000
2003	n/a	n/a

- Efforts to manage and reduce uncollectibles include:
  - Company disconnect/collection process
  - Dunning Process
  - Agency Referral, if applicable
  - Bankruptcy Maintenance Follow-up
  - Tax ID Match up – new same as SSN Tax ID for commercial if no SSN

As indicated in PSC-A-22, these dollar amounts include both electric and gas as the Company does not separate these two components for this activity.

Respondent: W. Michael VonSteuben